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Working for Working Parents

The Evolution of
Maternity and
Parental Benefits
in Canada

Shelley Phipps

Work-Life Balance





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Work-Life Balance

Research Director / Directrice de recherche
Sarah Fortin

This research program examines issues related to work-life balance with the goal of better defining their policy implications. It is based on a "life course" approach and takes into consideration family as well as child care issues, and also the policy imperatives associated with an aging population and changes in the labour market. Some of the questions to be covered include the following: What is an appropriate role for government in this area? What roles are appropriate for individuals, businesses and communities? What policy instruments are available to deal with this challenge? What are the regulatory or institutional barriers to adapting public policies to this new context? What are other industrialized countries doing?

Ce programme de recherche traite des questions liées à la conciliation travail-vie personnelle et vise à cerner leurs répercussions politiques. Fondé sur l'approche « parcours de vie », il tient compte des enjeux relatifs aux familles et aux soins des enfants, mais aussi des impératifs politiques découlant du vieillissement démographique et de l'évolution du marché du travail. Il pose notamment les questions suivantes : Quel rôle devrait jouer le gouvernement dans ce domaine ? Quel est le rôle des citoyens, des entreprises et des collectivités ? Quels instruments politiques permettraient de relever ce défi ? Quelles barrières réglementaires ou institutionnelles faut-il lever pour adapter les politiques gouvernementales à cette nouvelle réalité ? Que font les autres pays industrialisés ?

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Working for Working Parents

The Evolution of Maternity and Parental Benefits in Canada

Shelley Phipps

Introduction

We are living through an extremely dynamic chapter in the history of cash maternity and parental benefits in Canada. First, there have been some significant recent changes to that component of the federal employment insurance (EI) program. In 2001, the maximum duration of parental benefits was expanded from 10 to 35 weeks, hours required to qualify for benefits were reduced from 700 to 600, and the second waiting period required for claimants sharing parental benefits was eliminated. Second, there has been an important challenge to the idea that these benefits should be delivered through a federal program. In March 2005, the federal government and the province of Quebec reached an agreement about financing arrangements that allows Quebec to withdraw from the federal EI maternity/parental benefits system. It began to offer its own program in January 2006.

All of this raises interesting policy questions. Have these changes to EI maternity and parental benefits meant they have become more successful in achieving goals such as enhancing the income security of families with newborn (or newly adopted) children, protecting the physical health of mother and newborn child, promoting gender equity or facilitating work-life balance? Should the federal government adopt some elements of the Quebec system (for example, expand coverage to self-employed workers; introduce higher replacement rates)? Would this further the goals stated above? More radically, should we consider a model in which maternity/parental benefits are separate provincial programs rather than a single federal program?

In thinking about these policy issues, it is useful to consider the following questions: (1) How does the social and economic context in 2006 differ from that in 1971, when maternity benefits were first designed? (2) Why and how were these benefits introduced in the first place? (3) What have been the most significant changes in maternity/parental benefits policy over the

30-year history of the program? (4) What goals do we want the program to achieve in the social and economic context of 2006? (5) How successfully does our current system achieve these goals, particularly in view of significant recent changes? (6) Finally, what further changes, if any, might we want to make?

In this paper, I will attempt to address, in turn, each of the above questions and so tell a story of cash maternity and parental benefits. The first section of the paper begins the story with an overview of how the social and economic context for families with young children has changed in Canada over the roughly 30 years since maternity benefits were first introduced. I then provide a brief history of Canada's maternity and parental benefits policy from the inception of maternity benefits in 1971 through to the recent major extension of parental benefits in 2001.¹ To make this history of policy change more concrete, in the third section I present calculations of what eight hypothetical new parents would have been eligible to receive in five distinct periods in the program's history and the Quebec program. In the fourth section I employ time series data from Statistics Canada to show how benefit receipt has evolved over the history of maternity/parental benefits and use microdata to look in more depth at how recent policy changes have affected who receives benefits. This is followed by a review of the empirical literature. I then discuss the program's changing goals and rationales and evaluate our success over time in achieving these goals. Finally, I offer some suggestions about future directions for maternity and parental benefits in Canada.

While the focus of this paper is cash maternity and parental benefits offered through the EI program, job-protected leave is also a critical part of the package of benefits available to new parents. Cash benefits are of little value to those who are not eligible for job-protected leave. Maternity and parental leave is generally a provincial jurisdiction, so there is considerable variation in eligibility conditions and leave duration, and these have changed over time. At various times and in various regions, it has been possible for an individual to qualify for EI maternity or parental benefits, but not for job-protected leave, or vice versa. And, at some times and in some regions, the duration of job-protected leave has exceeded that of paid benefits, and sometimes the reverse has been true. As I will note, there has, over time, been a considerable amount of interaction between changes in EI maternity and parental benefits and those in provincial leave legislation.

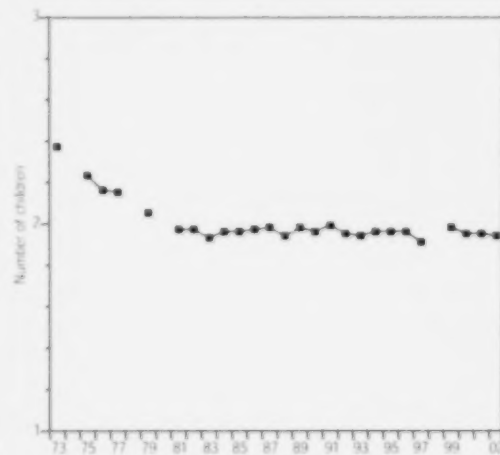
Setting the Stage: The Changing Labour Market and Social Context for Families with Young Children, 1973-2002

In order to tell the story of maternity and parental benefits in Canada properly, I will begin by sketching the setting. Changes in Canadian society led to the need for maternity and later parental benefits, and developments in the program influenced more social and economic change. And as Canadian society and the economy change, there may be a need for more changes to the program.

This section employs annual public-use cross-sections of microdata from Statistics Canada from 1973 through 2002² to describe the evolution of demographic and labour market characteristics of Canadian families with young children. In order for the data to be consistent over the entire 30-year period, I define young children as those under seven.³ The overall picture is one of continuous and truly dramatic change.

Over the period in question there has been a steady decline in average family size (figure 1). The average number of children in families where the youngest child is under seven years old fell from 2.4 in 1973 to 1.9 in 2002. Another way of looking at the same issue is that in 1973, 29 percent of children aged under seven were lone children. This percentage had increased by 2002 to 35 percent (see figure 2).

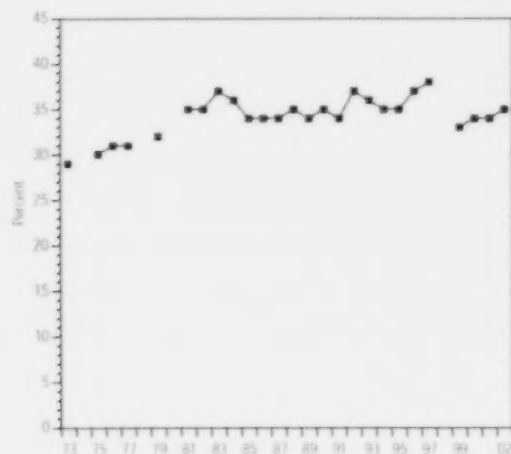
Figure 1
Average Number of Children in Families with Youngest Child Aged Under Seven Years, Canada, 1973-2002



Source: Author's calculations based on data from Statistics Canada, Survey of Consumer Finance (1973-97) and Survey of Labour and Income Dynamics (1999-2002), Public Use Files.

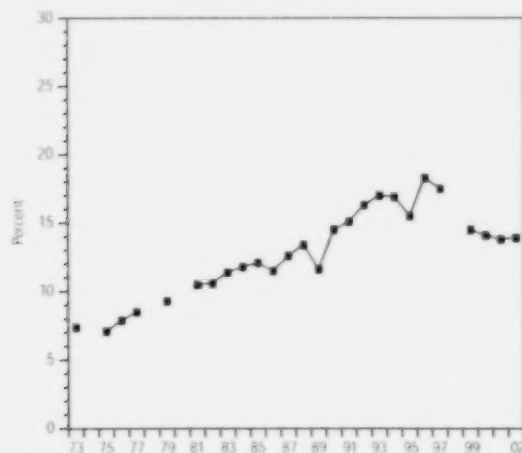
It is also increasingly likely that families with young children will be lone-parent families – the proportion rose from 7.4 percent in 1973 to a high of 18.3 percent in 1996 (figure 3).⁴ As well, the average age of mothers with young children increased steadily over the period, from 30.3 years in 1973 to 33.8 in 2002 (figure 4). To look at this phenomenon differently, the proportion of mothers aged under 25 has declined from 19.4 percent in 1973 to only 6.6 percent in 2002 (figure 5).

Figure 2
Proportion of Families Whose Child Is Aged Under Seven Years That Have Only One Child, Canada, 1973-2002



Source: Author's calculations based on data from Statistics Canada, Survey of Consumer Finance (1973-97) and Survey of Labour and Income Dynamics (1999-2002). Public Use Files.

Figure 3
Proportion of Families in Which the Youngest Child Is Aged Under Seven Years and That Are Lone-Parent Families, Canada, 1973-2002

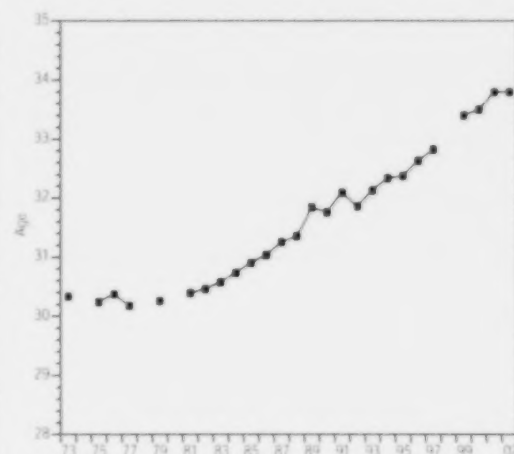


Source: Author's calculations based on data from Statistics Canada, Survey of Consumer Finance (1973-97) and Survey of Labour and Income Dynamics (1999-2002). Public Use Files.

in 2002 (figure 5). In fact, recent Statistics Canada data indicate that 48 percent of women giving birth in 2003 were aged 30 or older (Statistics Canada 2005). Yet another dramatic change is mothers with young children have higher levels of education. In 1973, 5.9 percent had a university degree, compared to 24.1 percent in 2002 (see figure 6).

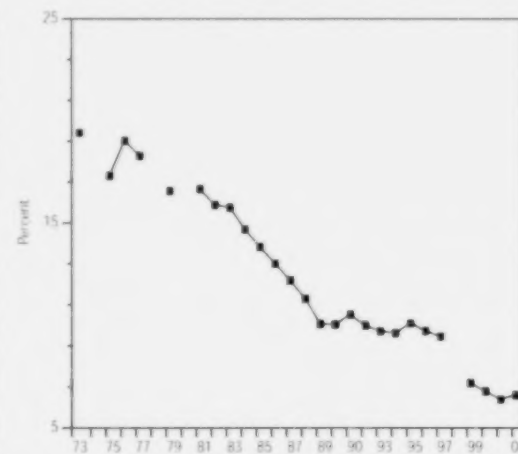
Of course, smaller family sizes, later child-bearing, higher divorce rates, parenting without a partner and

Figure 4
Average Age of Mother in Families with Youngest Child Aged Under Seven Years, Canada, 1973-2002



Source: Author's calculations based on data from Statistics Canada, Survey of Consumer Finance (1973-97) and Survey of Labour and Income Dynamics (1999-2002). Public Use Files.

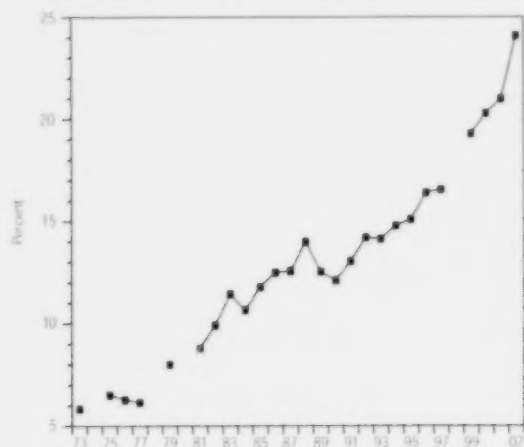
Figure 5
Proportion of Families in Which the Youngest Child Is Aged Under Seven Years and the Mother Is Aged under Twenty-five Years, Canada, 1973-2002



Source: Author's calculations based on data from Statistics Canada, Survey of Consumer Finance (1973-97) and Survey of Labour and Income Dynamics (1999-2002). Public Use Files.

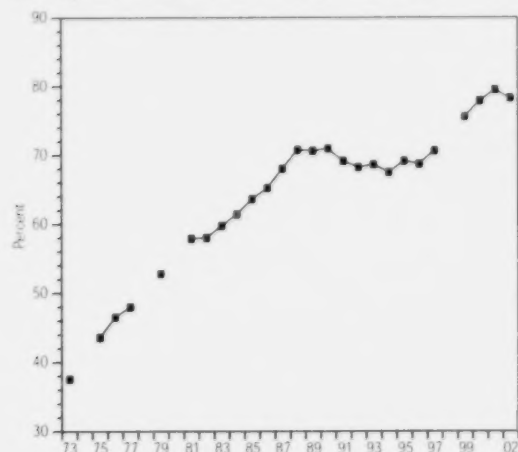
higher levels of education all interact with one another and with labour market behaviour and outcomes for young mothers. There has been a large increase in the probability that mothers with young children will report positive earnings (figure 7). In 1973, 37.7 percent of mothers with young children were engaged in paid work; by 2002, that figure had increased to 78.3 percent. This is an enormous change in the way Canadian

Figure 6
Proportion of Families in Which the Youngest Child Is Aged under Seven Years and the Mother Has a University Degree, Canada, 1973-2002



Source: Author's calculations based on data from Statistics Canada, Survey of Consumer Finance (1973-97) and Survey of Labour and Income Dynamics (1999-2002). Public Use Files.

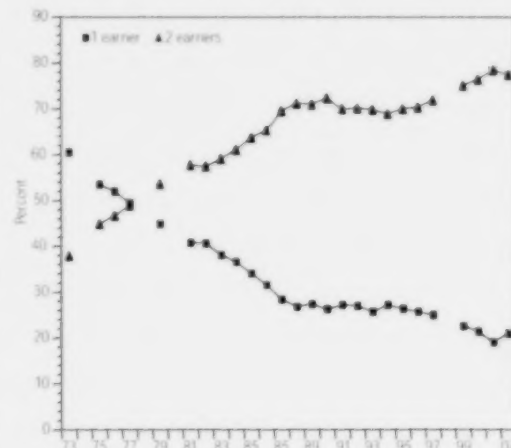
Figure 7
Proportion of Families in Which the Youngest Child Is Aged under Seven Years and the Mother Has Positive Earnings from Paid Work, Canada, 1973-2002



Source: Author's calculations based on data from Statistics Canada, Survey of Consumer Finance (1973-97) and Survey of Labour and Income Dynamics (1999-2002). Public Use Files.

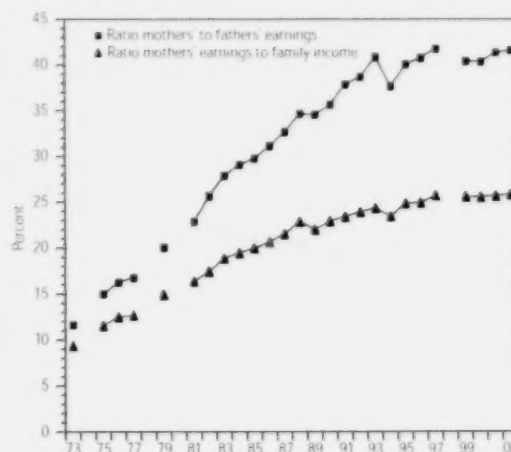
families arrange their paid and unpaid work. These dramatic changes in mothers' labour market involvement have made maternity and parental benefits increasingly important; they might not have happened to the same extent without these benefits. Notice that the largest changes in labour market involvement for young mothers

Figure 8
Proportion of Families in Which the Youngest Child Is Aged under Seven Years, with One and Two Earners, Canada, 1973-2002



Source: Author's calculations based on Statistics Canada, Survey of Consumer Finance (1973-97) and Survey of Labour and Income Dynamics (1999-2002). Public Use Files.

Figure 9
Ratio of Average Mothers' to Average Fathers' Earnings and Ratio of Average Mothers' Earnings to Average Total Family Income in Families in Which the Youngest Child Is Aged Under Seven Years, Canada, 1973-2002



Source: Author's calculations based on Statistics Canada, Survey of Consumer Finance (1973-97) and Survey of Labour and Income Dynamics (1999-2002). Public Use Files.

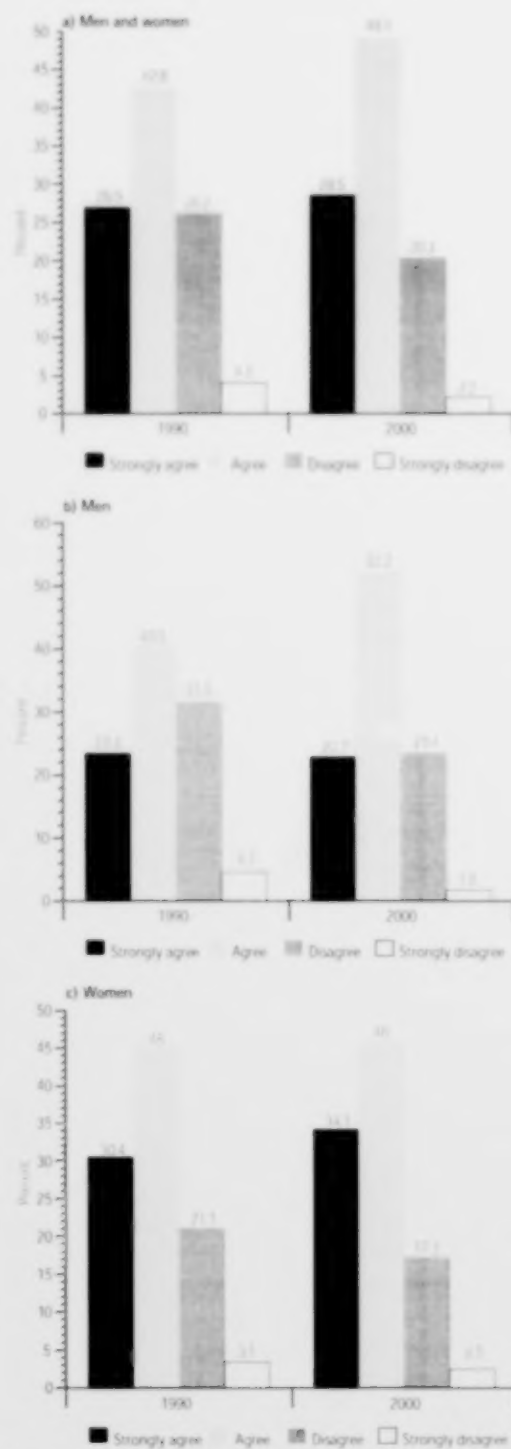
occurred during the 1970s and early 1980s, levelling off during the late 1980s and through much of the 1990s. There has been a small increase in the probability of reporting some earnings since 1999 (see figure 7).

For couples with young children, the dramatic increases in mothers' labour market participation obviously had implications for intrahousehold dynamics. In 1973, 60.6 percent of couples with a young child were one-earner families; by 2002, that figure had decreased to only 21 percent (figure 8). While fathers' earnings continue to dominate family earnings, it is not surprising, then, that mothers' earnings have increased dramatically as a proportion of fathers' earnings. Mothers' earnings constituted, on average, only 11.7 percent of fathers' earnings in 1973; by 2002, this ratio had climbed to 41.6 percent. By 2002, mothers' earnings were about 25 percent of total household income, compared with only about 10 percent in 1973 (see figure 9).³

These major changes in the labour market behaviour of young mothers were paralleled by significant changes in attitudes toward gender roles. In the World Values Survey (1999, 2000), respondents were asked whether "A working mother can establish just as warm and secure a relationship with her children as a mother who does not work." When we compare the responses in 1990 with those in 2000, for all Canadians as well as for men and women separately, two points seem particularly worth emphasizing (figure 10). First, there has been a marked shift in the responses by Canadian men from disagreement to agreement with the statement. Women's responses in the two time periods are quite similar. Second, even in 2000, when 78 percent of mothers with young children did paid work (see figure 7), some respondents remained ambivalent about the statement. The most common response from both men and women was that they agreed but did not strongly agree that working mothers can have just as warm relationships with their children; moreover, over 20 percent of both men and women still disagreed.

It is clear that the social and economic contexts within which families with young children carry on their lives are very different in 2005 than they were in the early 1970s, when maternity benefits were first designed. Family sizes are, on average, much smaller; parents are older. Single-parent families are more common. Mothers, particularly married mothers, are dramatically more likely to be engaged in paid work, and their earnings constitute a much larger share of household income. While some ambivalence remains,

Figure 10
Attitudes on Gender Roles, Canada, 1990 and 2000



Source: World Values Survey (1990, 2000)

Question asked: "Do you strongly agree, agree, disagree, or strongly disagree with the following statement: A working mother can establish just as warm and secure a relationship with her children as a mother who does not work."

society generally accepts that participation in paid work while children are young is reasonable behaviour on the part of mothers as well as fathers. Over the same 30-year period, the Canadian system of maternity and parental benefits has also changed significantly, partially in response to some of the social changes noted above. A sketch of these developments is provided in the following section. Major milestones are summarized in box 1.

A Short History of Maternity and Parental Benefits Policy in Canada

Although regular unemployment insurance (UI) benefits have been available in Canada since 1940 (HRSDC 2005), there was originally no thought of using UI to provide maternity, paternity or parental benefits to new mothers or fathers.⁴ In fact, quite the reverse was true. New mothers, in particular, were initially regarded as among the main potential abusers of UI. The fear was that young married women might enter the paid work force in order to gain access to UI benefits, although they intended to quit in order to be at-home mothers after giving birth. To guard against this possibility in an era when the labour force participation rates of young mothers were low, women were explicitly disqualified from receiving regular UI for six weeks before and six weeks after the expected date of their confinement because they were regarded as being "not available for work." At that time, people did not think women in the last stages of pregnancy or in the immediate postpartum period were available to work. This view prevailed through the 1940s, 1950s and into the 1960s, when the Gill Committee (1962) even recommended extending the disqualification period for new mothers from six to eight weeks.

The first official recommendation that maternity (and sickness) benefits be offered through the UI program appeared in 1968. The *Report on the Study for Updating the Unemployment Insurance Programme* argued that UI should deal generally with the problem of work interruption and that pregnant or sick workers should not be disentitled just when they became incapable of working and were thus most in need of financial assistance (Routhier and Labowka 1994). By 1968, labour force participation rates among young mothers had already started to increase, so that it was no longer regarded as excep-

tional for a young woman to have an *interruption* in her paid work around the time of childbirth rather than a permanent *withdrawal*.

The call to add maternity benefits as part of UI was repeated in the 1970 White Paper on Unemployment Insurance and by the 1971 Royal Commission on the Status of Women. They were finally introduced through Bill C-229 in 1971. To be eligible, women needed 20 weeks of "insurable" employment (20 weeks with at least 15 hours of paid work and/or earnings of at least 20 percent of the maximum insurable earnings). The 20-week eligibility requirement made it more difficult for women to obtain maternity benefits than regular benefits (which at that time required 10 to 14 weeks of insurable employment, depending upon the local unemployment rate). Notice, as well, that it was not easier to obtain maternity benefits in regions or time periods with higher local unemployment rates, although presumably pregnant women, like regular UI claimants, might have problems finding sufficient employment when local unemployment was high. Making it more difficult to get maternity benefits than it is to get regular benefits is consistent with the long history of concern that new mothers could abuse the UI system (recall that for 25 years pregnant women were explicitly ineligible for UI around the expected date of confinement).

In addition to satisfying the minimum work requirement, maternity benefits claimants had to prove that they had been employed for at least 10 weeks prior to conception (the so-called Magic Ten rule). This was another "safeguard" against the possibility that a young woman who did not have paid work at the time she discovered her pregnancy might decide to take a job in order to become eligible for maternity benefits. This indicates the persistence of the old tension between wanting to protect pregnant women and worrying that they might misuse the system.

In 1971, eligible new mothers were entitled to 15 consecutive weeks of benefits following a 2-week waiting period. Benefits were paid at two-thirds of past wages, to a maximum of \$150 per week (in 1971 dollars).⁵ Both the replacement rate and the ceiling on benefits were identical to the provisions for regular UI claimants, though entitlement conditions and benefit periods differed for maternity claimants. Given the focus on the need to protect women and unborn children during the final stages of pregnancy and to give them enough postdelivery time to recover physically from childbirth, the 15-week benefit period was initially fixed as 8 weeks prior to the expected week of delivery and 6 weeks afterward (8 + 1 + 6).

Although the basic structure of the program (maternity benefits only) remained relatively constant through the 1970s, there were two significant modifications. First, fixing the benefit period at 8 weeks prior to the expected week of delivery and 6 weeks after it caused problems, which became clear over the course of 1970s. Women who felt well enough were not allowed to keep working until close to their due dates; and those who gave birth prematurely could lose the full 8-week prebirth entitlement. Additional flexibility was introduced in 1974, allowing women to take 15 consecutive weeks of maternity benefits, beginning up to 8 weeks before the birth and ending up to 17 weeks afterward. The second significant modification, applying to regular as well as maternity benefits, was the reduction in the replacement rate from 66 percent of past wages to 60 percent in 1978 (Bill C-14).

The 1981 Task Force on UI recommended elimination of the Magic Ten rule on the grounds that this would help achieve the goal of protecting women against income loss due to maternity. Routhier and Labowka (1994) also point out that the decision to eliminate the Magic Ten rule was, at least in part, a response to public pressure following the Supreme Court ruling in the case of *Bliss v. Canada*⁸ that "discrimination on the basis of pregnancy is not discrimination on the basis of sex." Stella Bliss had argued that the 20-week work requirement was discrimination on the basis of sex (because it was higher than the 10 to 14 weeks required for regular benefits, for which she would have qualified).

The 1981 Task Force also recommended that adoptive parents be eligible for benefits. Since the physical protection of the pregnant mother and unborn child rationale does not apply in this case, and there is no

Box 1 Some Important Dates in the History of Maternity and Parental Benefits

- 1971 • Maternity benefits introduced for biological mothers
- Eligibility: 20 weeks insurable employment (with at least 15 hours per week or earnings of at least 20 percent of maximum insurable); women had to demonstrate that they were employed 10 weeks prior to conception (Magic 10 rule)
- Duration: 15 weeks of benefits (8 weeks prior to week of birth and 6 weeks following week of birth)
- 2-week waiting period
- Benefit level: two-thirds of past wages up to a ceiling
- 1974 • Flexibility in timing of benefits (could start up to 8 weeks prior to birth and finish up to 17 weeks after)
- 1983 • Adoptive parents become eligible for 15 weeks of maternity benefits
- Magic 10 Rule abolished
- 1990 • Introduction of parental benefits
- 10 weeks (in addition to 15 weeks of maternity benefits)
- Biological fathers and mothers allowed to share 10 weeks of parental benefits (both to serve 2-week waiting period)
- Adoptive parents restricted to 10 weeks of parental benefits
- Replacement rate for both maternity and parental benefits 60 percent, with ceiling
- 1993 • Replacement rate reduced to 57 percent
- 1994 • Replacement rate reduced to 55 percent
- Claimants with low earnings (less than 50 percent of maximum insurable earnings) eligible for special "dependency rate" of 60 percent
- 1997 • "Employment insurance" replaces "unemployment insurance"
- Eligibility condition changed from 20 weeks to 700 hours
- Dependency rate replaced by family supplement for claimants with low net family incomes
- 2001 • Parental benefits period extended from 10 to 35 weeks
- Parents sharing parental benefits have only a 1-week waiting period
- Eligibility condition reduced from 700 to 600 hours
- Claimants allowed to earn up to 25 percent of weekly EI with no reduction in benefits

need for postpartum physical recovery, allowing benefits for adoptive parents introduced a new care-giving rationale for the program, one that has developed considerably over the last 20 years. The recommendations of the 1981 Task Force were adopted through Bill C-156 in June 1983.

Not surprisingly, since biological fathers were excluded from any benefits during this period while adoptive mothers or fathers had become eligible, the argument that biological fathers should, in some cases, be entitled to "maternity" benefits emerged (for instance, in the case of a wife dying in childbirth or being too unwell to care for the newborn). The issue was debated in court (*Schachter v. Canada*),⁹ and some were concerned about compliance with Charter rights. Biological fathers first became eligible for paid benefits in 1990 through Bill C-21, which added 10 weeks of "parental" benefits, to be shared by mother and father, as they wished. (There have never been in Canada any paid benefits that are exclusively available to the father.) In cases where the mother and father decided to share the parental benefits entitlement, both parents were required to serve a 2-week waiting period. Through Bill C-21, adoptive parents were excluded from maternity benefits, but they were eligible for parental benefits so that biological fathers and adoptive parents received equal treatment (though this meant a reduction from 15 to 10 weeks of benefits for adoptive parents). Replacement rates for both maternity and parental benefits again matched those for regular UI benefits – 60 percent in 1990 – but replacement rates for both regular and special benefits were further reduced to 57 percent in 1993 and again to 55 percent in 1994. Claimants with low earnings (defined as less than 50 percent of maximum insurable earnings) and those supporting dependants received a special "dependency rate" of 60 percent.

The next major milestone for maternity/parental benefits in Canada was in January 1997, when unemployment insurance became employment insurance. From the perspective of maternity/parental benefits, a key aspect of this change was that the 20-week insurable employment (requiring at least 15 hours per week and/or 20 percent of maximum insurable earnings) eligibility requirement was converted to a 700-hour requirement (20 weeks, 35 hours per week), potentially making it more difficult for women with between 15 and 35 hours per week to qualify.¹⁰

The basic replacement rate for EI claimants was not changed, at 55 percent of past earnings, but the

dependency rate for lower-income claimants with families was dropped in favour of the family supplement (FS), which serves a similar purpose. EI claimants with low family incomes (net income of less than \$25,921) who received the Canada child tax benefit were eligible to receive a top-up to their EI benefits equal to the weekly value of the child tax benefit. The value of the FS thus depended upon the number of children and family income. The benefit was highest when family income was lowest (below \$20,921), disappearing altogether when net family income reached \$25,921. The value of the FS is also limited by two additional factors: weekly EI payments could not exceed the maximum of \$413, and the effective replacement rate, including the FS, could not exceed a specified limit, which has been increasing over time. In 1997, the maximum replacement rate including FS was 65 percent; by 2001, the limit had increased to 80 percent.

Basing eligibility for benefits on family income rather than exclusively on individual work history (and corresponding premium contributions) marks a significant departure from past practice, in which eligibility for benefits depended solely upon own paid work history (and premium contributions). As some scholars have pointed out, while providing top-ups for claimants from lower-income families makes sense from the perspective of alleviating family poverty, this policy approach may be problematic from the perspective of gender equity within families (Phipps, MacDonald and MacPhail 2001). There is a significant body of literature about inequality within families that suggests that making a woman's entitlement to social benefits contingent upon her husband's income can reduce her control of resources and hence her power within the relationship (Lundberg, Pollak and Wales 1994; MacDonald 1998; Phipps and Burton 1996).

Of course, the FS legislation as written is symmetrical. A husband's entitlement to FS for his parental benefits claim would be contingent upon his wife's income. In fact, however, women are still overwhelmingly more likely to claim benefits under these programs and to be the lower earner in the household. Thus, while the policy is nominally gender-neutral, in fact it is not.

The switch from UI to EI also introduced the 910-hour qualifying condition for new and re-entrants to the labour market (individuals who were not in the labour force in the year prior to their current EI qualifying period). Although people who received maternity or parental benefits in the two years prior to their current qualifying period are exempt from this qualifying condition, some claimants could still face it

if they had recently been students, for instance, or had been out of the labour force for an extended time to care for a previous child.

In January 2001, the most recent major modification to the maternity/parental benefits system was introduced. First, the parental benefits period was extended from 10 to 35 weeks. One stated objective of this change was "to allow parents more time to spend at home with their newly born or adopted children" (CEIC 2003, 53). As before, 15 weeks of maternity benefits are available only to the biological mother; the 35 weeks of parental benefits may be split between biological parents and are also available to adoptive parents. As an incentive for parents to split the extended parental benefits entitlement, the 2-week waiting period is no longer imposed on both claimants – a significant reduction in the cost to a father hoping to take just a few weeks of benefits.

At the same time, the eligibility condition was reduced from 700 to 600 hours. The eligibility condition for regular benefits varies between 420 and 700 hours, depending on the regional unemployment rate. When the unemployment rate is higher than 8 percent, it is harder to qualify for maternity benefits than for regular benefits; however, when the unemployment rate is lower than 8 percent, it is now easier to qualify for maternity/parental benefits than for regular EI.¹¹ Replacement rates and ceilings continue to match those for regular EI benefits (55 percent of previous earnings to a maximum of \$413 per week in 2004); the FS is available for claimants from low-

income families, potentially increasing effective replacement rates to as much as 80 percent.

Finally, the 2001 change added some flexibility for those who work while on claim. Although the maternity claimants' benefits are reduced dollar for dollar if they have earnings, they may now earn up to 25 percent of their weekly EI benefits, up to a maximum of \$50 per week, with no reduction.

Quebec's parental leave program

While there have been no further changes to EI maternity and parental benefits, an extremely important recent policy development is the agreement in March 2005 with the province of Quebec about financing arrangements. This agreement allowed Quebec to withdraw from the federal maternity/parental benefits program and to offer its own new system of maternity/parental benefits, which it did beginning in January 2006.¹²

Under the Quebec plan, new parents can choose between two options (see box 2). The basic plan offers a longer duration but lower replacement rates during the second part of the leave, while the special plan offers a shorter total duration of benefits but higher replacement rates. More specifically, under the basic plan, eligible biological mothers are entitled to 18 weeks of maternity benefits paid at 70 percent of previous earnings; 7 weeks of parental benefits replaced at 70 percent and an additional 25 weeks replaced at 55 percent can be divided between parents as they choose; 5 weeks replaced at 70 percent

Box 2
EI Maternity and Parental Benefits Compared with the Quebec Program, 2006

	EI	Quebec basic plan	Quebec special plan
Eligibility	600 hours	\$2,000 earnings	\$2,000 earnings
Basic replacement rate	55 percent	70 percent for 25 weeks 55 percent for 25 weeks	75 percent
Low-income replacement rate	80 percent	80 percent	80 percent
Maximum insurable earnings	\$39,000	\$57,000	\$57,000
Duration	15 weeks maternity 35 weeks parental	18 weeks maternity 32 weeks parental 5 weeks, father only	15 weeks maternity 25 weeks parental 3 weeks, father only
Coverage for self-employed workers	Not covered	Covered	Covered
Waiting period	2 weeks	None	None

are available only to the father. Under the special plan, eligible biological mothers are entitled to 15 weeks of maternity benefits with 75 percent replacement of previous earnings; 25 weeks of parental benefits compensated at 75 percent can be split between mother and father as they choose; 3 weeks of benefits compensated at 75 percent are available only to the father. Finally, the Quebec plan also calls for an increase in maximum insurable earnings (from \$39,000 to \$57,000), which will be of benefit to new parents with high earnings.

The replacement rate of 75 percent under the special plan is considerably higher than that under the current EI program (55 percent currently), though this plan also offers a shorter total duration of benefits (43 weeks for mother and father combined, compared with 50 weeks under EI). The basic plan offers higher replacement rates than EI during the first part of the leave (70 percent) and the same replacement rates as EI during the second part of the leave (55 percent); the total duration of benefits for mother and father combined is slightly higher in the Quebec plan (55 weeks for the Quebec basic plan compared with 50 weeks under EI). Like EI, both plans offer higher replacement rates for lower-income families.

Eligibility for benefits is based on earnings of at least \$2,000 in the year prior to the birth (or adoption) of the child, thus extending coverage to self-employed workers. At, say, \$8 per hour (the minimum wage in BC), it takes only 250 hours of paid work to be eligible for benefits under the Quebec system,

which is considerably less than the 600 hours now required to be eligible for EI special benefits. Another important feature of the Quebec plan is that no waiting period is imposed before benefits can be received (compared with a 2-week waiting period, which one parent must serve under EI).

Finally, it is important to note that Quebec collects higher premiums to finance these more generous benefits. Employees pay 0.416 percent of insurable income, while self-employed workers contribute 0.737 percent. When the cut in employment insurance premiums granted to contributors to the Quebec plan (equivalent to 0.34 percent of insurable income) is factored in, it means that low-income workers will contribute around \$15 more per year, higher-income workers around \$100 more, while the self-employed will pay between \$147 and \$420, depending on their revenues (see table 1).¹¹

A positive evolution

Canadian maternity and parental benefits have evolved as society has changed, though arguably less dramatically. They have been administered through UI/EI and have remained a federal social insurance program, to which new parents have been entitled on the grounds of premiums contributed and waged work performed. This basic structure has been in place since 1971, and the only challenge has been recently from the province of Quebec. When looking at the UI/EI maternity/parental benefits system, key issues are (1) who is covered, (2) how eligibility is established, (3) the replacement rate and (4) how long benefits can be received.

Table 1
Impact of Quebec Parental Insurance Plan (QPIP) on Premiums Paid by Employees, Employers and Self-Employed Workers, 2006 (in dollars)

Wage level	Employment insurance reduction	QPIP	Difference
Employees			
\$20,000	68	83	15
\$40,000	133	166	33
\$57,000 or more	133	237	104
Employers			
\$20,000	95	117	22
\$40,000	186	233	47
\$57,000 or more	186	332	146
Self-employed workers			
\$20,000	0	147	147
\$40,000	0	295	295
\$57,000 or more	0	420	420

Source: Conseil de gestion de l'assurance parentale, accessed December 13, 2005, www.cgap.gouv.qc.ca

In terms of coverage, the program has expanded to include, in addition to biological mothers, adoptive parents and biological fathers, as gender roles have expanded to include increased participation in paid work by mothers with young children and a greater responsibility for child care by fathers. As young mothers' labour force participation has increased, so has coverage by EI maternity/parental benefits.

With respect to eligibility requirements, for many years, it was more difficult to qualify for maternity/parental benefits than for regular EI; the fixed 20-week work requirement made no allowance for local unemployment conditions. The basis of entitlement changed from 20 weeks to 700 hours with the change from UI to EI in 1997; in 2001, the number of hours dropped from 700 to 600. Since then, the required hours have been higher for maternity and parental benefits than for regular benefits in high-unemployment regions (600 versus 540) and lower in low-unemployment regions (600 versus 700).

Basic replacement rates have fallen somewhat over the years, in line with replacement rates for regular EI (from 66.7 to 55 percent). Ceilings on weekly payments can reduce effective replacement rates for new parents with high earnings to significantly less than 55 percent. But claimants with lower family incomes can still receive supplements that boost their effective replacement rates to as high as 80 percent. A 2-week waiting period has been required for maternity and parental benefits claimants throughout the history of the program, reducing effective replacement rates over the full leave period (adding 2 unpaid weeks at the beginning). Recent changes have waived the second waiting period when parental benefits are shared.

Duration of benefits is an area where there has been significant positive change. The total duration of maternity and parental benefits combined has increased rather dramatically over the history of the program, from 15 to 50 weeks, and it now compares quite favourably with that in other affluent countries.

Sample Benefit Calculations for Five Historical Periods and the Quebec Program

As a way to summarize and make the details of the evolving Canadian system of maternity and parental benefits concrete, in this section I have calculated the benefits to which a set of eight

hypothetical new parents would be entitled according to the policy rules in five historical periods (plus the new Quebec plan). These examples illustrate the different implications of the program for women (men) in different circumstances. That is, they highlight the point that the story of maternity and parental benefits is not the same for all new parents. However, it is important to note that the eight hypothetical individuals are not equally representative of new parents in Canada, nor are they all equally likely to have existed in different historical periods.

Here, then, are the eight hypothetical new parents.

- *Anne* worked full-time until the birth of her child (she was at work when she went into labour 2 weeks before her due date). Her annual earnings are \$30,000 (the median¹¹ for Canadian women working 30 and more hours per week in 2001). Anne is married; her husband also works full-time.
- *Barbara* also worked full-time until the birth of her child (also born 2 weeks early), but Barbara's annual earnings are \$60,000 (twice the Canadian median for women working full-time). Like Anne, Barbara is married and her husband works full-time.
- *Carole* also worked full-time until the birth of her child, but she earned only 50 percent of the median (\$15,000). Carole is a single mother.
- *Dianne* has experienced some unemployment during her pregnancy. Altogether, she has worked 20 weeks, for 30 hours per week (a total of 600 hours). She receives \$8 per hour (the minimum wage in BC, currently one of the highest in Canada), so her earnings in the year preceding the birth of her first child equalled \$4,800.
- *Emma* was a full-time student working 12 hours per week in a small retail establishment during her pregnancy. She has worked part-time continuously for the past 50 weeks, so, like Dianne, her total hours were 600 and her annual earnings also \$4,800.
- *Fiona* and her husband have just returned from China, where they adopted a baby girl. Prior to the adoption, Fiona, like Anne, worked full-time at a salary level equal to the median for female full-time workers in Canada (\$30,000).
- *George's* wife has just given birth. George is a full-time worker receiving the median earnings for a Canadian man who works full-time (\$41,000 annually).
- *Helène* worked full-time for median earnings at her own small business (she is similar to Anne, except that she is self-employed). She is not eligible for benefits under any system except Quebec's.

The maternity/parental benefits entitlements for these hypothetical individuals are reported in tables 2 through 8. Throughout, we explore the maximum benefits to which particular individuals would have been entitled, though of course some women may not have taken their full entitlements. Calculations are not provided for Hélène who, as a self-employed worker, would not have been eligible for any maternity/parental benefits except under the new Quebec system, where she would receive the same benefits as Anne.

Anne

Anne, who works full-time and has median female earnings, is most representative of young Canadian women approaching childbirth in Canada today, though she would have been far less typical in 1971 (table 2). As a full-time and full-year employee, she would be eligible for maximum benefits under each historical version of maternity/parental benefits considered here.¹⁵ However, the total dollar value of benefits available to her have increased dramatically, in real terms, since they were instituted in 1971 – the maximum benefits available under the 2001 regime would be nearly seven times higher than under the 1971 regime. Given the assumption that she continued in her paid job until labour started, in 1971 she would only have been eligible for the 6-week post-partum benefits (and not the 8 weeks of benefits

available only prior to the birth). By 1978, this restriction had been removed so that Anne would be entitled to a full 15 weeks of maternity benefits. In 1990, assuming she took *all* 10 weeks of parental benefits, she would have been eligible for 25 weeks of benefits: the total duration expanded further to 50 weeks by 2001 (again, assuming Anne took all of the parental benefits available and her husband took none of the entitlement).¹⁶ Increases in the duration of benefits available has entirely driven the seven-fold increase in the total dollar value of benefits to which Anne would have been entitled over the 30-year history of the program. Changes in the weekly earnings replacement rate actually move in the opposite direction, falling from 66.7 percent in 1971 to 55 percent in 2001. Thus, in real terms, the weekly value of her maternity benefits would have been considerably higher in the 1970s than they would be currently (\$385 per week compared with \$317 per week, in 2001 dollars).¹⁷

A two-week waiting period has been imposed on maternity and parental benefits claimants throughout the history of these programs. This means that the effective replacement rate over the full period of the leave, adding two unpaid weeks at the beginning, is lower than the effective replacement of weekly earnings. And the impact of the two unpaid weeks is greater the shorter the total duration of available paid leave. Thus, for example, the impact of the two unpaid weeks on the

Table 2
Benefits Received by "Anne" (woman working full-time until baby born, with median earnings – \$30,000 annually)

	1971 (8 weeks before and 6 weeks after the birth)	1978 (15 weeks)	1990 (parental benefits added)	1997 (UI becomes EI)	2001 (extended parental benefits: 600 hours)	Quebec program	
						Basic plan ¹	Special plan
Weeks of paid benefits	6	15	25	25	50	25 25	40
Average weekly benefits	\$385	\$346	\$346	\$317	\$317	\$404 \$317	\$423
Effective weekly replacement rate	66.7%	60%	60%	55%	55%	70% 55%	75%
Effective replacement rate over full leave period	50%	53%	56%	51%	53%	70% 55%	75%
Total benefits	\$2,309	\$5,192	\$8,654	\$7,933	\$15,865	\$18,029	\$17,280

Source:

Note: These calculations assume that only the maternity/parental benefits program is changing. In each case, Anne is assumed to have worked the same number of weeks and to have received the same salary as in 2001. It is further assumed that she collects *all* benefits to which she is entitled (no parental benefits are taken by her husband). All dollar amounts are thus converted to 2001 dollars using the consumer price index.

¹The basic plan of the Quebec program involves two stages for a biological mother: 1) 25 weeks replaced at 70%; 2) 25 weeks replaced at 55%.

effective replacement rate over the full leave period would have been greatest for Anne in 1971, when only 6 weeks of paid leave were available. In this case, although two-thirds of weekly earnings would have been replaced in weeks during which she received benefits, the effective replacement rate over the full leave period would have been only 50 percent (see table 1). The impact of having two unpaid weeks at the start of the benefit period would of course have become smaller in more recent years as the total duration of the paid benefits increased (53 percent over 52 weeks compared with the 55 percent replacement of weekly earnings in 2001).

If Anne were to opt for the basic plan in the Quebec program, she would receive the same total duration of benefits as with current EI (50 weeks). However, the increase in the earnings replacement for the first 25 weeks from 55 percent to 70 percent would mean that the total dollar value of benefits Anne received would increase by \$2,164 (14 percent). If Anne were to opt for the special plan in the Quebec system and take all the potential weeks of both maternity and parental benefits, she would be eligible for 40 weeks of benefits compensated at 75 percent of past earnings. For Anne, this would come to \$432 per week, or a total of \$17,280. While this plan offers fewer weeks of benefits than current EI, the higher replacement rate means that total compensation received under the Quebec plan would be higher (by \$1,415, or 8.9 percent). Note that since the Quebec system does not involve a waiting period, the effective replacement is the same as the nominal one.

Barbara

Barbara, like Anne, worked full-time and full-year until her first child was born (table 3). However, unlike Anne, Barbara earns a very high salary — \$60,000 annually (2001), which is twice the median for Canadian women working full-time (in this, she is much less typical of new mothers). In terms of the duration of benefits, Barbara's entitlement is exactly the same as Anne's; however, because her salary is higher, she receives higher weekly benefits.

Barbara's case illustrates the role of the ceiling on insurable earnings — an important feature of UI/EI maternity/parental benefits. With annual earnings of \$60,000 (2001 dollars), Barbara would have been well above the maximum insurable level for EI (currently \$39,000). Hence, in 2001, she would have received \$413 per week (the current maximum weekly benefit). This would have replaced only 36 percent of her

usual weekly earnings, a much lower effective replacement rate than the official 55 percent. If we add in the fact that Barbara would have had to take two weeks without pay before she could begin collecting maternity benefits, the effective replacement of her earnings over the full leave period is even lower (see table 3). Despite the fact that Barbara would have received a higher weekly benefit than Anne would (\$413 compared with \$317), the lower replacement rate might have made taking the full leave less attractive insofar as (1) she would have been giving up more dollars each week she took off, and (2) she may have been locked into expenditures linked to her usual income (for example, mortgage and car payments).

Since Barbara is affected by the ceiling on benefits under each historical regime, we can see that the real value of the ceiling has moved somewhat idiosyncratically over the years, with replacement of her weekly earnings ranging from a low of 33 percent (1978) to a high of 42 percent (1990). Notice, as well, that since the ceiling on benefits has been fixed in nominal terms at \$413 since 1996, the real value of Barbara's benefits has been declining since that time. While Barbara is currently less typical of new mothers than Anne is, if higher levels of education mean better opportunities in the labour market and thus more new mothers with high earnings, then her case may well become increasingly typical.

Barbara obviously has a good job, and her employer might also top up her EI benefits. No attempt is made here to consider other forms of compensation that may be available to any of these hypothetical individuals. However, Marshall reports that 20 percent of women who received EI reported receiving a top-up from their employer in 2001, and women working for larger firms (more than 500 employees) were more likely than others to do so (31 percent compared to 18 percent for women employed by smaller firms) (2003).

Under the current system, higher-income maternity and parental benefits claimants (with net incomes above \$48,750) are exempt from the 30 percent repayment of benefits required of regular EI beneficiaries. This was not always the case, though, so in some periods effective replacement rates were even lower.

Note that Barbara could benefit quite spectacularly from the Quebec system, under which maximum insurable earnings are \$57,000, very nearly the level of her salary. This means that although the ceiling would still be binding, her effective replacement rates

would be very close to the official ones. Under the basic plan she would receive 66 percent replacement in stage one and 52 percent replacement in stage two. Under the special plan she would receive 71 percent replacement (rather than 75 percent). Thus, the total compensation Barbara could expect under the Quebec system would be \$34,225 under the basic plan and \$32,880 under the special plan, compared with a total of \$20,650 from the EI program (a 59 percent increase compared with Anne's 9 percent increase under the special plan and a 66 percent increase compared to Anne's 14 percent increase under the basic plan). Of course, if Barbara had been receiving top-ups from her employer, then it is possible her benefits would not increase as much as suggested here, though the source of the funds would be the provincial maternity/parental benefits program instead of her employer.

Carole

The third hypothetical individual considered here is Carole, who also worked full-time and full-year up to the day her child was born (table 4). But, unlike Anne and Barbara, Carole is a single mother and a member of the working poor (recall that she is unmarried and her annual earnings are half of Anne's, or \$15,000 per year). Given her full-time and full-year paid work history, Carole would, like the other two women, be eligible for the maximum duration of benefits in all

program periods. She would in all periods receive the weekly official replacement rates (ceilings on benefit levels would not be an issue, though the 2-week waiting period would of course reduce effective replacement over the full benefit period).

In some periods, UI/EI would also have provided family-related supplements to her benefits as a result of her low-earnings/low-income status.¹⁸ For example, in both 1997 and 2001, Carole would have qualified for the family supplement (FS). In 1997, adding FS to basic EI benefits could not have led to a replacement rate greater than 65 percent. If we assume, then, that Carole received FS benefits, which brought her to 65 percent of her usual weekly earnings, then her weekly benefits would have been \$187, with a total of \$4,675 over 25 weeks (compared with the \$3,975 she would have received had she not qualified for the FS). In 2001, the FS can increase replacement rates to a maximum 80 percent. If we again assume that Carole received the maximum, her EI benefits would have increased to \$231 per week for a total of \$11,550 for the full 50-week period (compared with the \$7,950 she would have received with the basic 55 percent replacement rate in the absence of the FS).¹⁹

The Quebec system offers the same family supplement as that available under EI. Thus, under the basic plan, she would receive exactly the same benefits as under EI (same weekly benefits and same duration of benefits). Under the special plan, she would receive the

Table 3
Benefits Received by "Barbara" (woman working full-time until baby born, with twice the median earnings — \$60,000 annually)

	1971 (8 weeks before and 6 weeks after the birth)	1978 (15 weeks)	1990 (parental benefits added)	1997 (UI becomes EI)	2001 (extended parental benefits: 600 hours)	Quebec program	
						Basic plan ¹	Special plan
Weeks of paid benefit	6	15	25	25	50	25 25	40
Average weekly benefits	\$467	\$384	\$479	\$447	\$413	\$767 \$602	\$822
Effective weekly replacement rate	40%	33%	42%	39%	36%	66% 52%	71%
Effective replacement rate over full leave period	30%	29%	38%	36%	34%	66% 52%	71%
Total benefits	\$2,802	\$5,760	\$11,975	\$11,175	\$20,650	\$34,225	\$32,880

Note: These calculations assume that only the maternity/parental benefits program is changing. In each case, Barbara is assumed to have worked the same number of weeks and to have received the same salary as in 2001. It is further assumed that she collects all benefits to which she is entitled (no parental benefits are taken by her husband). All dollar amounts are thus converted to 2001 dollars using the consumer price index.

¹The basic plan of the Quebec program involves two stages for a biological mother: 1) 25 weeks replaced at 70%; 2) 25 weeks replaced at 55%. However, Barbara would in all cases be affected by the ceiling on benefits: the real value of the ceiling has changed year by year, thus altering her effective replacement rate.

same weekly benefits, but for a shorter period of time (40 rather than 50 weeks), so her total benefits would be lower than they would be under EI (or Quebec's special plan).

Dianne and Emma

Dianne and Emma have the same total number of hours (600) and the same earnings (\$4,800), but their past employment patterns are different (tables 5 and 6). This affects whether and in which historical periods they would have qualified for benefits, as well as whether they would have qualified for job-protected leave, depending on provincial statutes. (Anne, Barbara and Carole all worked full-time and full-year, and so they had no problems meeting the eligibility conditions.)

Although Dianne usually works nearly full-time (30 hours per week), she was unemployed during part of her pregnancy and so has accumulated only 20 weeks of eligible employment (for a total of $20 \times 30 = 600$ hours). Under UI, this would (barely) have been sufficient to give her access to benefits (when she needed 20 weeks with at least 14 hours per week). With the switch from UI to EI, initially requiring 700 hours (20 weeks \times 35 hours per week), Dianne would no longer have been eligible; with the reduction from

700 to 600 hours introduced in 2001, Dianne would again have qualified.

The level of benefits Dianne receives would depend upon her family circumstances. As a single mother, she would qualify for the FS. In 2001, this would have meant a replacement rate as high as 80 percent, or \$192 per week and a 50-week total of \$9,600. If she had been married and her husband received median male wages, then she would not have qualified for the FS (which depends on family income and number of children). Her replacement rate in this case would have been the basic 55 percent, yielding \$132 per week and a 50-week total of \$6,600.

Finally, we can compare Dianne's entitlements under the current EI system with what she would receive under the new Quebec system. She would qualify for benefits, since eligibility requires only \$2,000 in earnings in the past year. If her family income were high enough to disqualify her for the FS, then she would receive somewhat more in Quebec. That is, she would be entitled to a total of \$7,500 under the basic plan, or \$7,200 under the special plan, compared with \$6,600 under EI with no FS. If, however, she were from a low-income family and entitled to FS, then the basic plan would offer her exactly the

Table 4
Benefits Received by "Carole" (woman working full-time until baby born, with half median earnings — \$15,000 annually)

	1971 (8 weeks before and 6 weeks after the birth)	1978 (15 weeks)	1990 (parental benefits added)	1997 (UI becomes EI)		2001 (extended parental benefits: 600 hours)		Quebec program			
								Basic plan ¹	Special plan	Basic plan ¹	Special plan
				No FS ²	+FS	No FS	+FS	No FS		+FS	
Weeks of paid benefits	6	15	25	25	25	50	50	25 25	40	25 25	40
Average weekly benefits	\$192	\$173	\$173	\$159	\$187	\$159	\$231	\$202 \$159	\$216	\$231 \$231	\$231
Effective weekly replacement rate	66.7%	60%	60%	55%	65%	55%	80%	70% 55%	75%	80% 80%	80%
Effective replacement rate over full leave period	50%	53%	56%	51%	60%	53%	77%	70% 55%	75%	80% 80%	80%
Total benefits	\$1,154	\$2,596	\$4,327	\$3,975	\$4,675	\$7,950	\$11,550	\$9,014	\$8,654	\$11,550	\$9,240

Note: These calculations assume that only the maternity/parental benefits program is changing. In each case, Carole is assumed to have worked the same number of weeks and to have received the same salary as in 2001. It is further assumed that she collects all benefits to which she is entitled. All dollar amounts are thus converted to 2001 dollars using the consumer price index.

¹The basic plan of the Quebec program involves two stages for a biological mother: 1) 25 weeks replaced at 70%; 2) 25 weeks replaced at 55%.

²FS — family supplement.

Table 5
Benefits Received by "Dianne" (woman working 20 weeks at 30 hours per week, earning \$8/hour for 600 hours, or \$4,800 over the last year)

	1971 (8 weeks before and 6 weeks after the birth)	1978 (15 weeks)	1990 (parental benefits added)	1997 (UI becomes EI)	2001 (extended parental benefits: 600 hours)		Quebec program			
					No FS ²	+FS	Basic plan	Special plan	Basic plan ¹	Special plan
							No FS		+FS	
Weeks of paid benefits	6	15	25	0	50	50	25 25	40	25 25	40
Average weekly benefits	\$160	\$144	\$144	0	\$132	\$192	\$168 \$132	\$180	\$192 \$192	\$192
Effective weekly replacement rate	66.7%	60%	60%	0	55%	80%	70% 55%	75%	80% 80%	80%
Effective replacement rate over full leave period	42%	53%	56%	0	52%	77%	70% 55%	75%	80% 80%	80%
Total benefits	\$802	\$2,160	\$3,600	0	\$6,600	\$9,600	\$7,500	\$7,200	\$9,600	\$7,680

Note: These calculations assume that only the maternity/parental benefits program is changing. In each case, Dianne is assumed to have worked the same number of weeks and to have received the same salary as in 2001. It is further assumed that she collects all benefits to which she is entitled (no parental benefits are taken by her husband). ¹All dollar amounts are thus converted to 2001 dollars using the consumer price index.

²The basic plan of the Quebec program involves two stages for a biological mother: 1) 25 weeks replaced at 70%; 2) 25 weeks replaced at 55%.

³FS = family supplement.

Table 6
Benefits Received by "Emma" (woman working 50 weeks at 12 hours per week, earning \$8/hour for 600 hours, or \$4,800 annually)

	1971 (8 weeks before and 6 weeks after the birth)	1978 (15 weeks)	1990 (parental benefits added)	1997 (UI becomes EI)	2001 (extended parental benefits: 600 hours)		Quebec program			
					No FS ²	+FS	Basic plan	Special plan	Basic plan ¹	Special plan
							No FS		+FS	
Weeks of paid benefits	0	0	0	0	50	50	25 25	40	25 25	40
Average weekly benefits	0	0	0	0	\$53	\$77	\$67 \$53	\$72	\$77 \$77	\$77
Effective weekly replacement rate	0	0	0	0	55%	80%	70% 55%	75%	80% 80%	80%
Effective replacement rate over full leave period	0	0	0	0	53%	77%	70% 55%	75%	80% 80%	80%
Total benefits	0	0	0	0	\$2,640	\$3,850	\$3,000	\$2,880	\$3,850	\$3,080

Note: These calculations assume that only the maternity/parental benefits program is changing. In each case, Emma is assumed to have worked the same number of weeks and to have received the same salary as in 2001. It is further assumed that she collects all benefits to which she is entitled (no parental benefits are taken by her husband). All dollar amounts are thus converted to 2001 dollars using the consumer price index.

¹The basic plan of the Quebec program involves two stages for a biological mother: 1) 25 weeks replaced at 70%; 2) 25 weeks replaced at 55%.

²FS = family supplement.

same benefits as EI; the special plan would offer her the same weekly benefits but for a shorter period (40 rather than 50 weeks) than either EI or the basic plan.

Emma, like Dianne, earned \$4,800 in the year prior to the birth of her child (table 6). However, her work history differs from Dianne's. Emma worked continuously all year, but only for 12 hours per week while she attended university full-time. This would have been insufficient labour force attachment for her to qualify for benefits under UI in 1971 (which required at least 14 hours per week for 20 weeks). She still would not have qualified after the switch to EI (requiring 700 hours), though she would have been much closer. Emma would finally have qualified for benefits under the 2001 program, under which the qualification condition was reduced to 600 hours. However, since Emma's usual weekly earnings are low, her weekly benefits would be very low. If she were married or lived with her parents, so that the family income was high enough to disqualify her for the FS, then her weekly benefits under EI would be \$53 per week for a 50-week total of only \$2,640. If she were a single parent or her partner also had a low income, then she would qualify for the FS and so receive \$77 per week for a 50-week total of \$3,850. With earnings in the past year of \$4,800, Emma would qualify for benefits under the Quebec system, though her benefits would again be very low (\$3,850 under both Quebec's basic plan and EI, including the FS, and \$3,080 under the special plan, including FS). These low benefits would very likely make it difficult for her to afford a long maternity/parental leave.

Fiona

Fiona adopted her child (table 7). In all other ways, she resembles Anne – the full-time, full-year worker with median earnings (\$30,000 per year). During the 1970s, Fiona would not have been eligible for any benefits; they were restricted to biological mothers. Benefits for adoptive parents did not become available until 1984, when the 15 weeks of maternity benefits were extended to eligible adoptive parents (those with 20 weeks of insurable employment). When parental benefits were introduced in 1990, it seemed appropriate to offer adoptive parents and biological parents the same entitlement of 10 weeks, although this meant of course a reduction from the 15 weeks previously available. With the extension of the parental benefits period in 2001, the duration of entitlements for adoptive parents increased from 10 weeks to 35. Under EI, the duration of benefits is always 15 weeks shorter for

adoptive mothers than for biological mothers. Under the Quebec system, Fiona would receive fewer weeks of benefits than she would under EI, since the parental benefits component is slightly shorter. Under Quebec's basic plan she would receive 18 weeks fewer than an otherwise equivalent biological mother and under the special plan, she would receive 17 weeks fewer.

Given the same earnings as Anne, Fiona's weekly benefits and weekly replacement rate are always exactly the same as Anne's. However, since the total benefit duration is shorter, the impact of the 2-week waiting period on her effective earnings replacement over the full period of the leave is always more severe than it is for Anne. For example, in 1990, with only 10 weeks of paid benefit following 2 unpaid weeks, her earnings replacement, averaged over 12 weeks, would have been 50 percent (despite 60 percent replacement during weeks receiving compensation). Again, since there is no waiting period for the Quebec benefits, this issue would not arise.

George

George is a biological father who works full-time and full-year with annual earnings of \$41,000, the median for males (table 8). Until parental benefits were introduced in 1990, George would not have been eligible for any benefits. During the 1990s, there were 10 weeks of parental benefits that could be split between mother and father, although mothers were much more likely to claim the benefits. In 2001, parental benefits were increased to 35 weeks, and it is increasingly likely that at least some of the benefits will be claimed by fathers. Marshall notes that while only 3 percent of biological fathers even participated in the parental benefits program during the 1990s, this rate increased from 3 percent in 2000 to 10 percent in 2001 (2003).

In the calculations presented in table 8, we assume that George takes *all* the parental benefits to which he and his wife (together) are entitled, in order to explore maximum possible entitlements for new fathers under the different historical versions of the Canadian UI/EI program. As a full-time and full-year worker, George would certainly be eligible for benefits. He receives only median male earnings, but his earnings are nonetheless above maximum insurable earnings and therefore (like Barbara, the high-wage new mother), his effective replacement rate is lower than that of most of the women discussed here, although his weekly benefits are higher. For example, under the 2001 EI system, George would have a 50

percent replacement rate (compared with 55 percent for Anne, with median female earnings), but his weekly benefit would be \$413 compared with Anne's \$317. Again, having two unpaid weeks at the beginning of his leave would reduce effective replacement of earnings while he is on parental leave; the effect would be even more pronounced if George took only part of the parental leave (which is actually more realistic).

Notice that George, like Barbara, would benefit tremendously from Quebec's system, because of its higher insurable earnings and its higher replacement rates. Under the special plan, George would receive weekly benefits of \$620 and a 28-week total of \$17,360, compared with \$413 per week and a 35-week total of \$10,325 under EI. (Biological fathers can potentially take more weeks of benefits under EI than under either version of the Quebec system.) To the extent that

Table 7
Benefits Received by "Fiona" (adoptive mother, working full-time until adoption, earning the median female salary — \$30,000 annually)

	1971 8 weeks before and 6 weeks after the birth)	1978 (15 weeks)	1990 (parental benefits added)	1997 (UI becomes EI)	2001 (extended parental benefits: 600 hours)	Quebec program	
						Basic plan ¹	Special plan
Weeks of paid benefits	0	0	10	10	35	7 25	25
Average weekly benefits	0	0	\$346	\$317	\$317	\$404 \$317	\$453
Effective weekly replacement rate	0	0	60%	55%	55%	70% 55%	75%
Effective replacement rate over full leave period	0	0	50%	46%	52%	70% 55%	75%
Total benefits	0	0	\$3,460	\$3,170	\$11,095	\$10,753	\$10,825

Note: These calculations assume that only the maternity/parental benefits program is changing. In each case, Fiona is assumed to have worked the same number of weeks and to have received the same salary as in 2001. It is further assumed that she collects all benefits to which she is entitled (no benefits are taken by her husband). All dollar amounts are thus converted to 2001 dollars using the consumer price index.

¹The basic plan of the Quebec program involves two stages for adoptive parents: 1) 7 weeks replaced at 70%; 2) 25 weeks replaced at 55%.

Table 8
Benefits Received by "George" (biological father working full-time, with median male earnings — \$41,000 annually)

	1971 (8 weeks before and 6 weeks after the birth)	1978 (15 weeks)	1990 (parental benefits added)	1997 (UI becomes EI)	2001 (extended parental benefits: 600 hours)	Quebec program	
						Basic plan ¹	Special plan
Weeks of paid benefits	0	0	10	10	35	12 25	28
Average weekly benefits	0	0	\$479	\$447	\$413	\$552 \$434	\$620
Effective weekly replacement rate	0	0	58%	54%	50%	70% 55%	75%
Effective replacement rate over full leave period			48%	45%	47%	70% 55%	75%
Total benefits	0	0	\$4,790	\$4,470	\$14,455	\$17,464	\$17,360

Note: These calculations assume that only the maternity/parental benefits program is changing. In each case, George is assumed to have worked the same number of weeks and to have received the same salary as in 2001. It is further assumed that he collects all benefits to which he is entitled (no parental benefits are taken by his wife). All dollar amounts are thus converted to 2001 dollars using the consumer price index.

¹The basic plan of the Quebec program involves two stages for a biological father: 1) a maximum 12 weeks replaced at 70%; 2) 25 weeks replaced at 55%.

men have higher earnings than women, they are more likely to be affected by the ceiling on benefits. If lower replacement rates discourage fathers from taking benefits, it might also discourage them from participating in the caregiving. On the other hand, increasing the ceiling on benefits and therefore on effective replacement rates means that most men will receive higher compensation than women for each week they spend in caregiving, extending gender differences in compensation for paid work to gender differences in compensation for unpaid work. This seems to be a policy problem with no easy solution.

Drawing some lessons

What lessons can be drawn from this simulation exercise? Most importantly, perhaps, it is clear that new parents have very different entitlements to maternity/parental benefits. This has been true since maternity benefits were first introduced in 1971 and remains true of EI today as well as the Quebec program.

Anne, who works full-time/full-year and receives median earnings for women in Canada is most typical of a new mother in Canada today. At any point in the history of the Canadian program, Anne would have been eligible for and would have received maximum benefits in terms of level, replacement rate and duration of benefits. Thus, the Canadian system serves typical Canadian women rather well. The total compensation available for them has increased significantly over time, principally as a result of the increased duration of benefits (replacement rates have actually fallen over the 30-year history of the program). The new system in Quebec would mean higher benefits for Anne, but not dramatically so (a maximum increase of about 14 percent). This is entirely due to an increase in the replacement rate, from 55 percent to 70 percent for half of the benefit period.

However, there are many other stories of maternity and parental benefits for new parents in less typical circumstances. Consider the situation faced by new mothers with high earnings. They will certainly qualify for benefits, and although their weekly benefits will be higher than those received by women with lower incomes, their effective replacement rates may be lower than the nominal 55 percent if their earnings exceed the current insurable earnings ceiling of \$39,000. This problem is exacerbated by the 2 weeks without pay at the beginning of the leave. High-earning new mothers

will benefit enormously from the new system in Quebec, because it raises the ceiling on insurable earnings to \$57,000.

On the other side of the spectrum, low-income new mothers who *qualify* benefit enormously from the increased family supplement, which now allows effective replacement rates for eligible low-income claimants to climb as high as 80 percent (compared with the basic 55 percent). In 2001-02, about 20 percent of maternity/parental benefits claimants received the FS (CEIC 2003).²⁰ A potential problem with the structure of the FS is that eligibility depends upon family income rather than personal work history/individual earnings, so some women are ineligible on the grounds that their husbands' incomes are too high. This could increase inequality within some families. Although the FS can help women with low incomes who qualify for benefits, one problem with EI is that some new mothers do not have enough paid work hours to qualify for benefits at all. And recent research indicates that precarious employment is increasing (temporary and part-time wage work as well as own-account and other forms of self-employment) (Cranford, Vosko and Zukewich 2003). Workers with precarious jobs are less likely than others to qualify for job-protected leave (a provincial jurisdiction) or EI benefits, or to receive any benefits from their employers. The 2001 reduction in the hours required to qualify for EI maternity/parental benefits (from 700 to 600) helped improve access to EI maternity and parental benefits. However, in this regard, the Quebec program, which requires only \$2,000 of earnings in the qualifying period, is likely to be beneficial (for example, someone earning a minimum wage of \$8 per hour would require only 250 paid hours to earn \$2,000). Expanding coverage to the estimated 5 percent of new mothers who do not receive EI because they are self-employed is another plus of the Quebec system (Marshall 2003).

While they help us to understand the implications of changes to the EI program for individuals in different circumstances, the simulations reported above are, in a sense, just possibilities. How representative is each and how has this changed as Canadian society has changed over the past 30 years? How have actual patterns of benefit receipt changed over the history of the program, and who receives benefits under the present system, particularly since the major changes that were enacted in 2001? These questions are addressed in the following section.

Statistical Evidence on Benefit Receipt

In this section, I continue to amass statistical evidence about actual benefit receipt, and then I assess how well EI maternity and parental benefits are achieving their goals. Rather than constructing hypothetical scenarios to illustrate implications of the program for individuals in unique circumstances as the system has evolved over time, I use statistical evidence to estimate patterns of maternity/parental benefits receipt over the years. I also briefly review the Canadian empirical literature on this topic.

Who is eligible? Time series evidence

Figure 11 presents historical data estimating the probability of receiving maternity benefits for all new mothers in Canada between 1971 and 2003.²¹

Program coverage has expanded dramatically as the labour market participation of young women has increased, and, presumably, as the program has become better known and the benefits package more extensive.

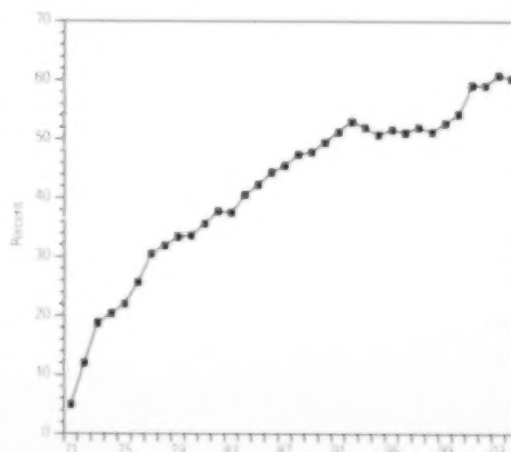
The probability of receiving maternity benefits increased from only 5 percent in 1971, when they were introduced, to 60 percent by 2003. Expansion of coverage was most rapid during the 1970s and 1980s, when women's labour force participation rates were increasing rapidly. Maternity benefits coverage per live birth then remained relatively constant through the 1990s, despite the introduction of parental benefits. However, maternity claims per live birth appear to have jumped since the major extension of parental benefits duration and the reduction in hours required for eligibility in 2001 (from about 50 percent during the 1990s to 60 percent in the 2000s). Other scholars note this jump in coverage, and they also emphasize the importance of the reduction in required paid hours for eligibility from 700 to 600. The extension in benefits was extremely well publicized, female labour force participation was higher and, of course, the total package became more attractive (Marshall 2003; Perusse 2003).

When we look at the probability of receiving parental benefits (figure 12),²² following a rapid expansion during the phase-in period, parental benefits coverage through the 1990s stayed consistently 3 or 4 percentage points lower than maternity benefits coverage until the 2001 expansion of the parental benefits period, after which, for the first time, parental

benefits coverage began to exceed maternity benefits coverage (69 percent versus 61 percent in 2003).

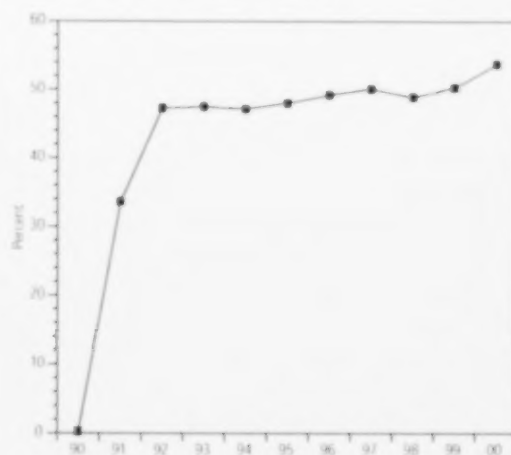
These data provide some historical perspective on the proportion of all babies born whose parents received UI/EI. For those who did *not* receive benefits, the most likely reason is that they were not in paid work in the period before their children were born or adopted. Using the Employment Insurance Coverage Survey for 2001 (a supplement to the Labour Force

Figure 11
Probability of Collecting Maternity Benefits,
Canada, 1971-2003



Source: Author's calculations based on Statistics Canada, CANSIM, table series V384340 (total maternity weeks paid by month), table 530001, series V62.
Note: Calculation according to total weeks paid/months (14.5 x births/month) averaged for the year.

Figure 12
Probability of Collecting Parental Benefits, Males
and Females, Canada, 1990-2000



Source: Author's calculations based on Statistics Canada, CANSIM, table series V384340 (total maternity weeks paid by month), table 530001, series V62.
Note: Calculation according to total weeks paid/months (14.5 x births/month) averaged for the year.

Survey), Marshall estimates that 23 percent of new mothers were ineligible for benefits for that reason; 12 percent of new mothers had been in paid work in the period preceding the birth/adoption but were either ineligible or did not apply; 5 percent were ineligible because they were self-employed (2003).

Clearly, a higher proportion of new parents who are in the labour market prior to the birth are now eligible for benefits. Using microdata from the Statistics Canada Labour Market Activities Survey, Phipps finds that 73 percent of women who were in the labour force in 1989 and gave birth in 1990 were eligible for maternity benefits (compared with 62 percent of *all* women who gave birth in 1990, including those not in paid work prior to the birth) (2001). Using longitudinal microdata from the Survey of Labour and Income Dynamics from 1993 to 1998, ten Cate finds that 77 percent of women who had some employment in the 16 weeks prior to giving birth received benefits (2000). Finally, Marshall (2003) finds that 84 percent of mothers of a child aged 0 to 12 months who had insurable employment in the year before childbirth received benefits in 2001. In 2000, this figure was 79 percent.

Who is eligible? Recent microdata evidence

In this section, I provide a more detailed analysis of recent microdata (from 1999, 2000, 2001 and 2002) from the Statistics Canada Survey of Labour and Income Dynamics (SLID) to find out who gets maternity and parental benefits in Canada and how this has changed since the most recent modifications to the program, in January 2001.¹¹ SLID cross-sections provide annual snapshots of the Canadian population, excluding residents of the Yukon, Northwest Territories and Nunavut, residents of institutions and people living on Aboriginal reserves (these exclusions total less than 3 percent of the population). I focus on the two years before the recent policy change, 1999 and 2000, and the two years immediately after it, 2001 and 2002 (which were the most recent data available at time of writing).

Looking at the characteristics of our samples of Canadian families with newborn children (under one year old on December 31 of the survey year), in each year, over 90 percent of parents are married – legally or by common law (table 9). Mothers are, on average, 31 years old (slightly older in 2001 and 2002). The percentage of mothers aged under 25 with newborns is small and fell even over the four years considered here (from 15 percent in 1999 to 12 percent in 2002).

There is an increase in the percentage of mothers of newborns with a university degree, from 22 percent in 1999 to 33 percent in 2002. For about 40 percent of families in each survey year, the newborn in that year is the first child (or, at least, if there were any older children, they have left home).

Consistent with the macro time series presented in figures 11 and 12, the SLID data show that since 2001 there has been an increase in the probability that a household with a child aged less than one year on December 31 of a survey year will have received some maternity/parental benefits in that year (see table 10).¹² That is, about 54 percent of households with newborns received maternity benefits in 1999 and 2000; this increased to about 61 percent in 2001 and 2002. And, benefit receipt increased for both mothers and fathers. About 51 percent of mothers reported receiving maternity/parental benefits in the earlier period; about 58 reported benefits after 2001.¹³ Ten percent of fathers received benefits in 1999; this increased to 12 percent in 2001 and 2002. Finally, it is interesting to note that in over half of the couples with newborn children only the mother received benefits (52.1 percent in 2002). In 4.5 percent of couples, only the father received benefits, and in only 7 percent did the couples actually share the benefits.

But, as illustrated in the hypothetical cases, reporting only the average probabilities of receiving benefits may well mask considerable differences in new parents' eligibility. Hence, I compared new parents' receipt of benefits by demographic characteristics (table 11).¹⁴ As is true generally, benefit receipt increased in 2001 and 2002 compared with 1999 and 2000 (the exception being the somewhat surprising figure for new mothers with a university education in 1999). But again, there are important differences across demographic groups in the likelihood of receiving maternity and/or parental benefits. For example, in all years, single parents are less likely than married parents to report benefits (30.5 percent compared with 63.7 percent in 2002). Households in which the mother is under 25 are less likely to report benefits than households in which she is 25 or older (55.4 percent compared with 62.3 percent in 2002). Households in which the mother has a university education are more likely to report receiving benefits (68.9 percent compared with 57.7 percent). Benefit receipt is more likely if the child is the first child, presumably because if there are other children the mother (or sometimes the father) might have left the paid labour force in order to care for

them and is no longer eligible for benefits. The probability of receiving benefits is 71.8 percent for a first child (in 2002) compared with 57.7 percent for second and subsequent children.

These results using post-2001 data are consistent with the patterns in earlier periods. For example, in a multivariate analysis of the Canadian Out of Employment Panel for the period from July 1995 to September 1998, Phipps finds that older women (aged 35 to 44) are much more likely to be eligible for benefits than younger women, presumably because they have had time to finish their education and

establish themselves in the labour market (2001). As well, women with permanent jobs at larger firms are much more likely to be eligible for benefits.

Maternity and parental benefits and women's return to paid work after childbirth

One of the most-studied aspects of maternity/parental benefits is how they affect whether and when women return to paid work after childbirth. Using Canadian data, Marshall (1999), ten Cate (2000) and Phipps (2001) all find that women who are not entitled to benefits return to paid work much more quickly than women

Table 9
Demographic Characteristic of Families Where the Youngest Child Is Aged under One Year, Canada, 1999-2002

	1999	2000	2001	2002
Average age of mother (years)	30.6	30.4	31.1	31.2
Average family size (individuals)	3.9	3.8	3.8	3.9
Married-couple households (%)	93.7	91.6	92.4	92.1
Mother is under 25 years of age (%)	15.1	13.0	11.7	12.2
Mother has a university degree (%)	22.2	24.7	25.9	33.3
Only child (%)	42.2	44.9	42.4	40.9
Households with an infant (%)	2.5	2.1	2.4	2.3

Source: Author's calculations based on data from Statistics Canada, using the Survey of Labour and Income Dynamics.
Note: Lone-father households are excluded.

Table 10
Households Where at Least One Spouse Receives EI But Is Not Reporting Unemployment and Where at Least One Child Is Aged under One Year, Canada, 1999-2002

	1999	2000	2001	2002
At least one spouse is receiving EI but neither parent reports unemployment (%)	54.8	53.9	60.6	61.1
A female head or spouse and female received EI but do not report unemployment (%)	51.4	50.9	58.3	57.2
A male head or spouse and male received EI but do not report unemployment (%)	9.9	7.9	12.3	12.0
Number of observations	764	663	753	681

Source: Calculations by the author based on data from Statistics Canada, using the Survey of Labour and Income Dynamics.

Table 11
Proportion of Households Receiving EI with Children under One Year, by Demographic Characteristic, Canada, 1999-2002

	1999	2000	2001	2002
All	54.8	53.9	60.6	61.1
Married couples	56.4	56.2	64.0	63.7
Lone parent	30.6	29.9	18.9	30.5
Mother is aged < 25 years	36.4	37.5	46.9	55.4
Mother is aged ≥ 25 years	58.6	57.4	63.4	62.3
Mother has a university degree	75.8	53.1	66.3	68.9
Mother has < than a university degree	49.4	55.4	59.9	57.7
One child	62.7	64.3	66.4	71.8
Two or more children	49.0	45.6	56.3	53.7

Source: Calculations by the author based on data from Statistics Canada, using the Survey of Labour and Income Dynamics.

who are eligible for benefits. Women who do not receive benefits are more likely than others to return to paid jobs within six weeks of giving birth (Marshall, 1999); the most common pattern among women who qualify is to return to paid work at or around the time the benefit period is over (Phipps 2001). Whether or not a woman is eligible for maternity benefits clearly affects the labour market behaviour of women who have recently given birth. Ten Cate (2000) and Phipps (2001) find evidence that provincial regulations about duration of job-protected (unpaid) leave is also a factor in women's return to paid employment. That is, women tend to return to their paid jobs while they have a legal right to do so.

It is not surprising that women who are not eligible for benefits or covered by a job-protected leave return quickly to paid work. But, it is important to remember that even among those women who are eligible, some will find themselves, for a variety of reasons, unable to take advantage of the full leave to which they are entitled. Phipps uses multivariate analysis to study the probability of women returning to paid work early (before they have exhausted their benefit entitlement period) during the period 1995-98. Key results are that younger women (under 25) are more likely to return early while older women (35 and over) are less likely to do so, controlling for eligibility (2001). This could reflect the fact that younger women are still building their careers or cannot afford a long leave. Women with less than a high-school education are less likely to return to work early than those with a post-secondary education, other things equal. Higher opportunity cost²⁷ (possibly exacerbated by lower effective replacement rates) and/or professional expectations may limit the feasibility of a long leave for a more educated woman. Financial pressures (for example, a mortgage to pay, few liquid assets and/or a husband who is unemployed) are associated with an earlier return, given eligibility.

What, then, can we learn from this examination of statistical evidence about maternity/parental benefits receipt in Canada across the years? The first key point is that the proportion of families with newborn children who receive benefits has grown dramatically since the 1970s as the labour force participation of women with young children has increased. This growth in labour force participation applies not just to new mothers, but also to women giving birth for the second and subsequent times, who are increasingly likely to have returned to paid employment follow-

ing the first birth and so to be eligible for maternity benefits the second or third time. Access to benefits increased further with the recent reforms to the program, whereby hours required for eligibility were reduced from 700 to 600 and the total duration of benefits available was extended. Pregnant women in Canada today are most likely to have full-time paid jobs, and those with full-time jobs have a high probability of qualifying for benefits.

But, while this story is basically a very positive one, new parents do not gain equally from EI maternity and parental benefits. Single, younger and less-educated new mothers are considerably less likely to be eligible for benefits. Women giving birth to second or subsequent children are also less likely to be eligible, and self-employed women are not eligible at all. It is also important to recognize that in some cases where parents are eligible, they do not use the whole benefit period. And women in vulnerable circumstances (for example, younger women or those facing financial pressures) are more likely to return to work early (that is, before the end of their benefit entitlement period).

What Are the Goals of the Federal Program and How Well Are They Being Achieved?

Over the years, a variety of goals for maternity and parental benefits – some explicit and others implicit – have emerged through policy and policy debates. As documented in previous sections, over the 30 years of its history the program has evolved as Canadian society has evolved. Changes in society such as later child-bearing and smaller families, the increased education and labour market participation of mothers with young children, the increased involvement of fathers in child care, the progress or lack thereof in the provision of high-quality care for infants/toddlers, stagnating real earnings among young men, and the adoption of the Charter of Rights and Freedoms have changed people's expectations of these benefits. Changes in the program have also affected the behaviour and expectations of new parents and their employers. Earlier in this study, I provided background on social and policy history and evidence of how the program affects new Canadian parents on average and in particular circumstances. In this section of the paper, I

outline several objectives for a system of maternity and parental benefits and assess the degree to which our system has satisfied these objectives.

Protection of the physical health of mother and unborn/newborn child

Allowing pregnant women time off from their paid work immediately before and immediately after childbirth may protect the physical health of the mother and the unborn/newborn child. The original (1971) restriction of benefits to biological mothers for a fixed period before and after childbirth suggests particular attention to this objective. The current policy, while recognizing that many women can continue in paid work safely until the day of delivery, also acknowledges the special needs of biological mothers around the time of birth by granting maternity benefits only to them.

Does the Canadian system improve the health of infants and mothers? Although the intuitive answer is that it probably does, this is not a straightforward question to answer because mothers who qualify for EI maternity benefits may be different from those who do not qualify in ways that are related to their health status. For example, women aged 35 and over are more likely to qualify for EI, but they may also face more complicated pregnancies and/or have less healthy infants than younger mothers. Alternatively, better-educated women are more likely to qualify for EI and have better knowledge of nutrition, and therefore they may be healthier and/or have healthier babies. The evidence as to whether maternity leave and benefits have positive implications for the health status of mother and child is mixed. Ruhm finds that paid maternity leave is associated with reduced mortality rates for infants and young children (2000); Baker and Milligan do not find an association between provincial maternity leave²⁸ and infant mortality rates (2004). Of course, there may be other less extreme health consequences of maternity leave.

One important and plausible association between maternity leave and child health is breast-feeding, since there is fairly clear evidence that maternal employment reduces both its initiation and its duration (Ryan and Martinez 1989; Gielen et al. 1991; Lindberg 1996); that maternity benefits affect the timing of return to paid work following childbirth (Marshall 1999; Phipps 2001; ten Cate 2000); and that breast-feeding has a positive connection with child health.²⁹ The World Health Organization (2001) and Health Canada (2004) recommend exclusive

breast-feeding for at least six months. In 1998, 65.4 percent of Canadian women breast-fed their newborns for six months or less, with the most common duration being three to six months, or approximately the same as the most common maternity/parental leave duration at that time (Lethbridge and Phipps 2004a). While maternity/parental leave does not necessarily lead to increased initiation and duration of breast-feeding, at least it offers women the choice, given the well-documented health benefits.

Income security

More single mothers and more two-parent families in which the wife's earnings constitute a significant share of family income means that maternity and parental benefits can play an important role in stabilizing family income around the time of birth or adoption. As part of the Canadian EI system, income stabilization has explicitly been the principal objective of the program over the years.

What might be an "adequate" level of maternity or parental benefits for this purpose? Adequate could mean: 1) high enough to keep the family out of poverty; 2) high enough to allow new parents to cover their usual expenses and so to afford to take the leave; or 3) high enough to replace a portion of family income that is reasonable by international standards. Relatively little attention has been paid to either the level or the adequacy of maternity and parental benefits, probably because it is very difficult to do.³⁰ Despite the lack of research in this area, it does seem clear that low replacement rates are a weakness of our current program. Benefit replacement rates have fallen quite consistently over time, and they are low compared with those of many other affluent industrialized countries (Kamerman 2003).

Middle- and higher-income families are the most likely to qualify for maternity and parental benefits. And, those benefits certainly ease financial tensions for these families around the time of childbirth, though low replacement rates may make it difficult to keep up fixed payments (for instance, rent, a mortgage or a car loan) based on their usual incomes. Higher-income new parents receive higher weekly benefits, but their replacement rates are particularly low, given the ceiling on benefits.

For lower-income families, the most important problem can be lack of access. The recent reduction in required hours from 700 to 600 appears to have helped somewhat. But for these families, even if they do qualify, if their wages are low and the replacement rate is only

55 percent, their benefit level will be low, making it hard to afford to take the full leave.³¹ A very important policy development in this context is the expansion of the FS, which can mean an increase in the replacement rate to as much as 80 percent of insurable earnings. Twenty percent of maternity claimants and 21 percent of parental claimants receive the FS (CEIC 2003). But this only alleviates the poverty of low-income families with newborns who *qualify* for EI. Moreover, since the FS depends upon *family* income rather than *individual* work history (on the assumption that resources are shared equally within families, which may not always be the case), poverty may be alleviated at the expense of gender equity within families.

Early childhood education and care

Sheila Kamerman refers to parental leave as "an essential ingredient in early childhood education and care" (2000b). Certainly, the introduction of benefits for adoptive parents in 1983 and parental benefits in 1990 shifted the focus away from the biological mothers' need for "time out" toward the idea that newborns (or newly adopted children) require much nurturing and care in order to thrive. The care does not necessarily have to be provided exclusively by the biological mother, but it will foster bonding between the child and the caregiver.

Phipps presents data from the World Values Survey indicating that about 10 percent of Canadian men and women "strongly agree" with the statement "A pre-school child is likely to suffer if his/her mother works" (1999). Forty-eight percent of men and 39 percent of women merely "agreed" with this statement. Are these beliefs justified by scientific evidence? Waldfogel, Han and Brooks-Gunn provide an excellent survey of the scientific knowledge in this area (2002). This knowledge is, unfortunately, dominated by US studies with limited applicability in Canada, given the many differences between the countries' policies and institutions. The authors argue that while an older body of evidence (principally based on the US National Longitudinal Survey of Youth) concludes that mothers' full-time employment during the first nine months has negative implications both for mother and child bonding and for children's cognitive and emotional development, more recent studies using better data (the National Institute of Child Health and Human Development Study of Early Child Care) conclude that what really matters is not *whether* the child receives nonmaternal care during the first year of life, but rather the *nature* of the care (for example, its quality, total duration and continuity). They also question the value of sweeping statements about whether it is

good or bad for a child if his/her mother does paid work outside the home during the first year of life. Whether it is good or bad will depend upon characteristics of the particular mother and child as well as the quality of care the child receives. Waldfogel, Han and Brooks-Gunn conclude that in an era when most mothers with young children have paid employment, the more relevant question is which *package* of maternity/parental leaves/benefits, child care and labour market accommodations (such as flexible paid work hours) is best for children and parents (see also Lero 2003).

Gender equity

In Canada, women who have had children earn less than women who have never had children. For example, in 1996, mothers (between the ages of 25 and 54) who worked full-time in the labour market received 87.3 percent of the income received by women who had never had children (Phipps, Burton and Lethbridge 2001). This difference, evident in many countries, has come to be known as the "family gap," or the "maternal wage gap" (see Waldfogel 1998a). In contrast, Canadian men who have had children have higher incomes than those who have never had children (133.6 percent in 1996 – see Phipps, Burton and Lethbridge 2001).³² The hypotheses put forward to explain this wage penalty associated with motherhood include: (1) mothers are more likely than other women to have taken time out from the labour force in order to care for their children; (2) the extra housework and child care may leave mothers with less energy for their paid work; (3) women may choose jobs that are "motherhood-friendly" (for example, close to home or daycare); (4) women who have children may be less career-oriented; and (5) young mothers may face discrimination in the labour market (see Phipps, Burton and Lethbridge 2001).

Do maternity and parental benefits reduce this gap in Canada? Phipps, Burton and Lethbridge find that the income penalty associated with women taking time away from paid work in order to care for children virtually disappears if they return to the *same* job following their leave; Waldfogel reports similar findings for the US and UK (1998b). Phipps finds that women who return to paid work while still covered by provincial job-protected leave are much more likely to return to the same job (2001). Taken together, these results emphasize the potentially vital role of job-protected leave and paid maternity/parental benefits in promoting gender equity in the labour market.

But, if maternity/parental leave and benefits mediate the financial consequences for women of having

a child, and if privileged women (for example, those with a higher level of education) are more likely to qualify than less privileged women, then our current system may be increasing inequality *among* women (see Joshi, Macran, and Dex 1996; Gustafsson, Wetzels and Vlasblom 1996).

And, not only is having children more likely to be associated with lower future earnings for women than for men, but it is also associated with larger increases in total hours of paid and unpaid work for mothers than it is for fathers. This could be having negative consequences for women's overall health and income. MacDonald, Phipps and Lethbridge (2005) use 1998 data to conduct a multivariate analysis of "total packages of work" done by men and women, where a "total package" includes weekly hours of paid work, housework, child care and eldercare. One important finding is that if woman A is in all observable ways identical to woman B except that woman A has a child under five while woman B does not, then woman A, on average, will do 36 more paid and unpaid hours of work per week. According to the Organisation for Economic Co-operation and Development (OECD), men are spending more time caring for children, and fathers of young children also do more hours of work per week (12 hours) than similar men without young children (2001). Nevertheless, the time cost of young children is much lower for men than it is for women.²¹

Do maternity and parental benefits have any impact on gender equity in terms of total workload faced by new parents? Certainly, over the short-term, having paid time off to care for newborn children eases the time crunch for mothers. However, as Townson emphasized years ago in her arguments in favour of parental benefits (1985), and Gornick and Meyers did more recently (2003), we have to be careful to *support* without *entrenching* women as caregivers. We have made some progress in this direction, particularly with the changes to the program in 2001. First, extending the entitlement period for parental benefits (which can be taken by either parent) rather than that for maternity benefits (which can be taken only by the biological mother) offers couples a choice. Second, waiving the second 2-week waiting period when parents are sharing the benefits removes a significant barrier to splitting the benefits. Third, allowing some earnings while on claim removes a financial disincentive to fathers taking parental benefits. And, since 2001, the percentage of fathers taking parental benefits has climbed dramatically.

In the end, though, it is still overwhelmingly mothers who take both maternity and parental benefits. This

seems to be true of many countries that allow parents to choose how to share benefits (OECD 2001). In Canada, low participation by men may be due to the fact that earnings of fathers are still much higher than those of mothers. In fact, Fortin argues that despite women's increasing level of education, the gender-wage gap in Canada has been stalled since the mid-1990s (2005). Many new fathers earn more than the current EI maximum insurable earnings, so their effective replacement rates are lower than the official 55 percent. Altogether, the financial cost of taking time away from their paid jobs will be higher for fathers than for mothers.

One difficult policy issue is that while increasing ceilings and/or replacement rates might encourage more fathers to take parental benefits, it would also mean that gender inequalities in compensation for paid work would be transferred to compensation received for unpaid caregiving. That is, because fathers earn considerably higher wages, they would receive more per week of parental leave than mothers would.

Since there has been relatively little research into the consequences of fathers taking parental leave for the future well-being of children, fathers or mothers, it is hard to say much about other associated costs and benefits. For example, would more full-time care by fathers during the first months of life establish a stronger father-child bond and/or lead to greater participation in caregiving by men in subsequent years? Would more paternal caregiving during childrens' early lives have different implications for their health and development than exclusively maternal caregiving? Is changing the principal caregiver during the first year good for the child? Are there implications for the health or eventual labour market outcomes of fathers? These are important questions that deserve further research (see also Lero 2003).

Systems that restrict a part of the benefit period to fathers (such as the new Quebec system, which offers 3 to 5 weeks of leave exclusively for fathers) appear to foster greater participation by men. For example, take-up has reached 58 percent in Denmark, 64 percent in Sweden and 80 percent in Norway (OECD 2001). However, this of course limits the flexibility for individual families as to how they use parental leave (for example, some parents may prefer that the mother take the full leave rather than allocating some of it to the father).

Work-life balance

Increasingly, both policy change (such as the major extension of parental rather than maternity benefits) and the debate over maternity and parental benefits

focus on these programs as a way to help both parents juggle their paid jobs and their responsibility to care for young children in an effort to improve work-life balance. For example, Ruhm argues that "parental leave is an important accommodation, designed to increase the ability of families to balance the needs of the workplace and home" (2002, 1).

Do maternity and parental benefits improve the work-life balance of young parents? Allowing people to take a period of paid time off to adjust to the many changes associated with becoming parents (for the first or subsequent times) without losing their paid jobs seems vitally important. Does leaving paid work for one year, as compared with six months, improve work-life balance? There has been relatively little research into this question. Lero suggests that the length of the leave may be less important for maternal health than congruence between a mother's preferences and the length of the time out (2003). Mothers who want more time with their newborns but have to return to paid work have worse mental health; the same is true of those who want to return to paid jobs but, for some reason, remain at home (either with paid leave or without).

Since March 2002, claimants with health problems have been able to combine 15 weeks of sickness benefits with the full maternity and parental benefits for a total of 65 weeks. This is an important policy change that recognizes the special needs of a relatively small number of recipients. Perhaps we could also extend the total benefit period in cases where the newborn child has serious health problems. While the number requiring this form of assistance would be extremely small, the benefit to the families involved would be enormous.

Despite the relatively long total paid leave, a limitation of the Canadian program is that parents are forced either to stay home full-time or return to work full-time. Allowing some earnings while on claim would be an important step away from this restriction. But, to foster increased work-life balance, it might be helpful to allow parents to do some of each at the same time (particularly during the parental benefits period). For example, parents might be allowed the option of doubling their total benefit period by doing paid work half-time and child care half-time: the total budgetary implications would be the same. We do not currently allow such flexibility (which could benefit employers as well as employees). Or, parents might be allowed to reserve some portion of their parental benefits claim as paid leave to care for young children who are ill. Indeed, when we

begin to think about the goal of enhancing work-life balance for young parents, it is clear that this need is not confined to the child's first year of life.

The recent introduction of compassionate leave is an important step in the direction of recognizing there are other times when people require support for caregiving, but this is still only available in quite extreme circumstances (to care for a family member who is dying) and preliminary evidence suggests that so far relatively few Canadians have received these benefits (CEIC 2005).

Increased fertility

Quebec employment and social solidarity minister Michelle Courchesne has indicated that she hopes the new expanded Quebec system of maternity and parental benefits "will encourage families to give birth and maybe to have more children" (*Globe and Mail*, March 2, 2005). This way of thinking has not characterized discussion of the federal benefits program.¹⁴ Rather, almost the reverse was true in the early days of UI and maternity benefits, when the concern was that young women might become pregnant in order to gain access to benefits (or in a sense abuse the program). Neo-classical economic theorists (for instance, Becker 1981) suggested that reducing lost wages associated with child-bearing by providing maternity benefits could increase fertility. Three Canadian studies have addressed this issue. Hyatt and Milne found that the introduction of maternity benefits in 1971 did increase the total fertility rate in Canada, although the level of the benefits was not important (1991). Zhang, Quan and Van Meerbergen found no evidence of such an effect (1994). Phipps used longitudinal microdata from the Labour Market Activity Survey for 1998-90 and found no significant association between maternity benefits and fertility or any indication that women increase their hours of paid work in the year prior to the birth of a child in order to establish eligibility for benefits (2000). By the late 1980s, at least, most young women without children were already either in school full-time or working full-time.

Where to From Here? Discussion and Recommendations

This is a good time to reflect on what we offer in the way of maternity and parental benefits in Canada for several reasons. First, over the past few years, there have been major changes to the EI

maternity and parental benefits program, which include the switch from a weeks-based eligibility criterion to an hours-based formula in 1997, the gradual increase in the family supplement for lower-income new parents between 1997 and 2001, the major extension in the duration of the parental benefits period, and the significant reduction in the hours required to qualify from 700 to 600 hours in 2001. After all of these quite significant changes, how well is the Canadian program achieving its goals? What are its current strengths, and how can we improve the program?

Second, Quebec has been operating its own system of maternity and parental benefits since January 2006. There are a few key differences between the Quebec system and today's EI maternity and parental benefits system. The Quebec system includes: (1) higher basic benefit rates; 2) a higher ceiling on benefits; 3) coverage of the self-employed; and 4) 3 to 5 weeks reserved exclusively for fathers. Are any of these proposed changes worth considering as directions for the federal program to follow?

Finally, despite the October 2005 decision of the Supreme Court of Canada that maternity and parental benefits constitutionally fall under federal jurisdiction, should we consider abandoning the federal program and moving to a model in which each province operates its own maternity and parental benefits system?

Federal versus provincial responsibility

Let us first consider the last of these questions – the issue of jurisdiction. It would be a radically new direction in policy, given the recent agreement between the federal government and the province of Quebec, if each province were to operate its own maternity/parental benefits program. Certainly, offering such benefits under the auspices of UI/EI would be unusual by international standards (no other country of which I am aware does so). Is it a good idea to offer maternity/parental benefits as part of EI? Scholars are not unanimous on the issue. Pal, for example, argues strongly *against* including maternity benefits in UI, and there have been some policy changes that made sense from the perspective of regular EI but not from the perspective of maternity benefits (for instance, penalties for repeat claims) (1985). In contrast, Porter suggests that UI offered women an existing program and appeal process through which they could gain benefits at a time when Canadian policy lagged behind that of European countries (2003).

Should we allow provinces to offer their own program separate from EI? While the Quebec system is in

many ways a generous one, a potential danger of transferring responsibility for maternity/parental benefits to the provinces is that some provinces might choose to offer much less than is currently available, while others may only be able to afford basic programs. For many years, provinces have been responsible for regulating job-protected leave, with the result that there has been enormous variation in leave durations and eligibility conditions. The recent extension of parental benefits perhaps inadvertently caused adjustment to a national norm (that is to say, coverage of the full 50 weeks for which paid benefits are available). In the US, some states have opted to provide benefits while others have chosen to provide nothing at all. Maintaining federal jurisdiction over maternity and parental benefits seems the safest way to ensure that benefits for new parents are equal across the country, and that is the path I recommend.

However, even if we maintain federal jurisdiction over these benefits, there is still the question of whether they should remain a part of EI or whether they should be carved out (perhaps together with sickness and compassionate care benefits) as a separate federal program. The advantage of this is that it would eliminate the mismatch in the logic underlying the two programs – the regular EI program and the maternity/parental benefits program (which includes a caregiving rationale). However, a major disadvantage is that the federal and provincial governments would have to agree on the design of a new program, which in the current context might be extremely difficult (in the event of the provinces failing to agree, they could end up opting for separate provincial programs). I would thus argue that it is reasonable to keep the maternity/parental benefits system within EI, but to improve the program.

Strengths and weaknesses of the federal program and future directions

Perhaps the greatest strength of our current system is the generous duration of benefits offered to all eligible new parents. In comparison with the US, where there is no national program providing paid maternity or parental benefits (although a few states do), eligible new parents in Canada have a wonderful opportunity to spend the critical first months of life with their children without jeopardizing their labour market opportunities. Offering a full year of paid benefits compares relatively well with programs in other affluent industrialized countries (Gornick and Meyers 2004; Kamerman 2003). Gradual increases in the FS for low-income claimants

have increased the replacement rate for eligible lower-income families to as much as 80 percent (compared with the basic 55 percent).

Among the most important weaknesses of this system are: (1) the lack of access for some young parents who have paid work before the birth but have insufficient work history to establish eligibility (especially less-well-educated workers); (2) the lack of coverage for the self-employed; (3) low replacement rates; and (4) the lack of flexibility as to how eligible parents structure their paid time off.

In order of priority, let us consider first the vital issue of access. While the reduction in required hours from 700 to 600 in 2001 is an important step in this direction, I recommend easing eligibility requirements even further. There has never been any recognition that it might be harder to get enough hours of work in periods or regions with high unemployment. For regular EI, in high-unemployment regions, it is harder to collect special benefits than it is to collect regular benefits (for example, 600 hours are required, compared with 420 hours).³⁵

In the early days of maternity benefits, the government decided to make it more difficult to obtain maternity than regular benefits. Why? In 1971, when maternity benefits were introduced, there was concern that new mothers might abuse the system by taking paid work in order to gain access to benefits and then leave their jobs while on claim (Pal 1985). Today, given the high rates of labour force participation by young mothers, this concern is no longer warranted. Thus, it seems reasonable to reduce the eligibility requirements for maternity/parental benefits.

One way to do this, and also to recognize that it can be harder to get enough hours when unemployment is high, would be to set the hours criterion for maternity and parental benefits equal to the regular benefits condition, less 100 hours (that is, 700 – 100 = 600 hours). This would make it consistently easier to obtain maternity/parental benefits than regular EI benefits, but it would be easiest to obtain access to the program when unemployment rates are high.

Another way to ease the eligibility requirement that is consistent with the historical fixed hours requirement is to further reduce it, across the board, to – let's say – 420 hours, which is currently the lowest number of hours required for access to regular EI. To the extent that maternity and parental benefits have a positive association with future earnings, parental health and the healthy development of children, providing access to these benefits for new parents start-

ing out in relatively vulnerable situations would be a good way to avoid exacerbating inequalities (and potentially passing them on to the next generation).

An alternative approach to expanding access to maternity and parental benefits is the one Quebec has taken. Under that system, only \$2,000 of earnings is required in the qualifying period to obtain benefits. The switch from a weeks or hours criterion to an earnings criterion has enabled Quebec to extend coverage to the self-employed (in a manner that is similar to the one currently used for EI fishing benefits). Marshall estimates that only about 5 percent of new mothers did not receive maternity/parental benefits because they were self-employed (2003). Extending access to the self-employed would only apply to a relatively small proportion of new parents, but for those few it could make a very important difference to income security, maternal and child health, and work-family balance. An alternative would be simply to offer lump-sum birth grants to families that have newborns or newly adopted children but do not qualify for benefits. This is the approach used in France, Italy, Japan and the United Kingdom (US Department of Health, Education and Welfare 2005).

Replacement rates for maternity and parental benefits are currently the same as for regular EI (generally 55 percent up to a ceiling of 80 percent of insurable earnings for claimants from low-income families). As noted above, 55 percent is low compared with the rates in many other affluent countries. Why are our rates so low? Much concern has been raised over the years about the negative incentives of regular EI benefits – for example, if benefits are too attractive, people will not try very hard to find another job (there is little evidence that this is, in fact, the case – see Phipps 1993). These worries do not apply to maternity or parental benefits. That is, once individuals qualify, it is not seen as a problem that they collect benefits for the full entitlement period. Rather, the idea is that they should, if possible, take the full year to nurture and bond with their newborn children. Therefore, it is not obvious why benefit replacement rates are kept so low, other than as a cost-curtailling measure or simply to match regular EI (though this is really one of the few features they have in common). It would thus seem reasonable to consider increasing benefit replacement rates. This would make the leave more affordable for new parents, and perhaps encourage more new fathers to take benefits.

The Quebec system offers new parents a choice between a higher replacement rate (75 percent) and a

shorter benefit period (40 weeks), or a lower replacement rate and a longer benefit period (70 percent for 25 weeks and 55 percent for 25 weeks for eligible biological mothers). In both cases, the replacement rate (averaged across the two periods) is higher than is currently available under EI. This would thus be an appropriate direction to follow. Remember, however, that Quebecers – employees and employers alike – will have to pay higher premiums in order to afford these more generous benefits.

Remember, also, when considering an increase to EI maternity/parental benefits replacement rates, that an estimated 18 percent of mothers who have paid employment in the year prior to childbirth receive a voluntary top-up from their employer (CEIC 2005), although it is more common among women with higher education and income (ten Cate 2004). If EI benefit replacement rates were increased, there could be a potential cost savings to employers currently offering to top-up maternity/parental benefits. These employers are most likely to be in the education, health services and nonprofit sectors (CEIC 2005), thus provincial and local governments could benefit financially from an increase in EI replacement rates.

Another issue that could be considered under the topic of benefit adequacy is the ceilings on benefits, which effectively reduce replacement rates for claimants with higher earnings (thus affecting relatively more fathers than mothers). To the extent that funds are limited, this issue should have lower priority than expanding coverage to vulnerable workers currently not receiving any benefits, or even than increasing replacement rates for middle-income earners. Nonetheless, it is an important issue. While high earners receive higher weekly benefits than other claimants, the benefit replaces a lower fraction of their earnings, and this might, for example, discourage fathers from participating in the program. We might thus consider increasing maximum insurable earnings (which would, however, also have implications for premiums paid).

A final weakness of the current system is the lack of flexibility in how benefits can be used – parents must either be entirely outside the labour force or entirely in the labour force (and the same is true of the Quebec program). As an alternative, we could consider allowing more flexibility in how and when benefits are used (for example, allowing people to use them part-time for twice as long; or to reserve some benefits to care for sick toddlers). We could also consider expanding programs such as compassionate

care benefits to cover caregiving in less grave circumstances (such as paid days off to care for sick or disabled family members).

Choosing our priorities

Of the five proposed changes to EI maternity and parental benefits, the top priority should be to reduce eligibility requirements in order to expand coverage for women (or men) who currently find it difficult to obtain the necessary 600 hours of paid work. According to Marshall's estimates, this could affect up to 12 percent of new mothers³⁶ – on average, relatively low-wage workers (2003). Since new parents who had paid work in the period leading up to the birth yet did not qualify for benefits would, on average, be individuals with relatively low earnings, this would presumably involve increasing program costs by less than 12 percent (since not all of these workers would qualify, even with less stringent work requirements, and their weekly benefit payments, even with the FS, would probably be below average). Finding a way to cover the estimated 5 percent of new parents who are ineligible for benefits because they are self-employed is the second priority. Again, since relatively few people are involved, the cost would not be exorbitant (around 5 percent, on the assumption that relatively young self-employed workers would not earn, on average, more than those who work for an employer, though this requires further investigation).³⁷

Increasing benefit replacement rates, which are currently lower than ever before in Canada, and lower than replacement rates in many other affluent countries, is worth considering. However, this might be a large budget item, since everyone currently eligible for benefits who earns below the maximum insurable ceiling would be affected. And, an increase in benefit replacement rates is likely to involve some changes in behaviour. For example, it might encourage more participation by fathers, who earn, on average, more and would thus receive, on average, higher benefits. It might also encourage more claimants to take advantage of the full entitlement period. Thus, program costs could increase by *at least* as much as a straightforward scaling up of total payments, by whichever increase in replacement is being considered (for instance, a 10 percent increase in benefit replacement rates would likely increase program expenditures by more than 10 percent).

Raising the ceiling on benefits would be beneficial for women (and men) with higher earnings. Currently available data do not indicate how many would be affected by the new ceiling, but this would obviously

affect the cost of the proposal. Finally, finding a mechanism to allow greater flexibility about when and how parents use their benefits would be a novel, and potentially quite low-cost enrichment of the existing program.

Are any or all of these suggestions affordable today? Working out exactly how much any of the above proposals might cost is beyond the scope of this paper, particularly as it would involve estimating how people's behaviour might change as a result of program modifications.

Expenditures on maternity and especially parental benefits have recently increased significantly as a result of the enhancements introduced in 2001 (the reduction in the number of hours required to qualify and the increased parental benefits duration). Special benefits (including sickness benefits, maternity and parental benefits and the recently introduced compassionate care benefits) payments, as a proportion of total EI income benefits paid, increased from 13.6 percent in 1995-96, to 19.7 percent in 2000-01, and then to 28.1 percent in 2003-04 (CEIC 2003, 2004, 2005). In 2003-04, maternity benefits payments totalled \$910.6 million, and parental benefits payments totalled \$2.02 billion (CEIC 2005).

These sums are certainly not trivial, and an increase of 15, 20 or even 50 percent would clearly be a lot of money (\$436.9 million, \$582.5 million and \$1.5 billion, respectively). If benefit enrichments were financed through increased premiums, as is the case in Quebec, a 15 percent increase in expenditures would involve a 2.3 percent increase over current premium levels, a 20 percent increase would involve a 3.1 percent increase, and a 50 percent increase would require an 8.1 percent increase in total EI premium revenues.³⁸ But the potential payoff in terms of increased income security, work-life balance and children's health, particularly for those who are currently most vulnerable in the labour market, seems likely to far outweigh the costs.

Now is a good time to think about further enhancements to maternity and parental benefits in Canada.

Notes

I would like to thank Peter Burton, Sarah Fortin and two anonymous reviewers for extremely helpful comments. I am also grateful to Lynn Lethbridge for her excellent work in carrying out the empirical analyses reported here.

- 1 The historical discussion draws heavily upon three principal sources: Human Resources and Skills Development Canada (2005), Porter (2003), and Routhier and Labowka (1994). Porter provides an excellent discussion of the political context in which Canadian maternity and parental benefits developed, an aspect of their history that is not explored here.
- 2 In the calculations in this section I used historical cross-sections of microdata. For the period before 1997, I used the Survey of Consumer Finance (SCF). This survey was replaced in 1997 with the Survey of Labour and Income Dynamics (SLID), which I used for the period from 1999 to 2002. While both surveys use the Labour Force Survey sampling frame, there are of course some differences. I am missing data for 1974, 1978, 1980 and 1998.
- 3 In earlier survey years, we only know that the youngest child is under seven; we do not know the exact age of the youngest child.
- 4 In this case, it is probably the result of a difference between the SCF and the SLID, rather than a sudden drop in 1999.
- 5 In each year for couples with young children, we first calculated the average of all mothers' earnings (including zeroes) and the average of all fathers' earnings (again, including zeroes), and then the ratio of these averages. These figures thus encompass changes in participation, changes in hours and changes in hourly compensation for both men and women.
- 6 Maternity benefits refer to paid benefits that can be received only by the biological mother. Paternity benefits refer to paid benefits that can be received only by the biological father. Parental benefits can be claimed by either parent. It is also important to distinguish maternity leave, which grants the legal right to return to a paid job after a maternity-related absence, but does not involve the receipt of cash benefits.
- 7 From 1940 to 1975, UI claimants with dependants could receive higher than the usual replacement rates (for example, those with dependants could receive three-quarters of past earnings, compared with two-thirds of past earnings for those without dependants). However, during this period, only one spouse was eligible to claim dependants. There was concern that very few women received the higher rate. For example, only 5 percent of female claimants declared dependants compared with 44 percent of male claimants (Employment and Immigration Canada 1981, 59).
- 8 *Bliss v. Canada (Attorney General)*, [1979] 1 SCR 183.
- 9 *Schachter v. Canada*, [1992] 2 SCR 679.
- 10 Although anyone with less than 15 hours per week became eligible for benefits, it was impossible to work less than 15 hours per week over a 50-week period and collect more than 700 hours ($50 \times 14 = 700$). However, while weeks with less than 15 hours would not previously count, under EI any hours were added to the total.
- 11 At the time of writing, unemployment rates were low enough in 32 of 58 regions to make it easier to collect maternity/parental benefits than regular EI benefits.
- 12 This agreement followed a ruling in the Quebec Court of Appeals stating that for the federal government to offer maternity and parental benefits violates the Constitution, because they are essentially social benefits and thus fall within provincial jurisdiction. The federal government has countered that maternity and parental benefits do belong in EI and under federal jurisdiction. It argues that these benefits are fundamentally an income-replacement program for workers with newborn or newly adopted children. Moreover, it maintains that the Constitution should be interpreted with more flexibility to recognize changes in Canadian society. Specifically, when the federal government was given constitutional authority to offer UI in 1940, very few young mothers had paid work. Now that the majority of young mothers have paid jobs, the EI program needs to evolve in order to meet their needs. In October 2005, the Supreme Court decided that the federal government has jurisdiction over maternity and parental benefits.
- 13 Because of the reduction in the general employment insurance rate for 2006 (\$1.87 per every \$100 in 2006, compared with \$1.95 per every \$100 in 2005, equivalent to 0.08 percent of insurable income), which benefits all Canadian contributors to EI, the actual increase, as it appears on Quebecers' pay slips, is less apparent.
- 14 The median is the amount earned by the woman in the middle of the distribution. Since a small number of women whose earnings are very high can pull up the average, the median is more representative of the experiences of most Canadian women. It is calculated here using SLID microdata for 2000 and inflated to 2001 dollars using the CPI as reported in Cansim II, table 3260002. The median is actually \$29,754, which is rounded to \$30,000 for these calculations.
- 15 This assumes she had also been working full-time for 10 weeks prior to conception in the era of the Magic Ten rule (between 1971 and 1983).
- 16 The assumption that women take the full maternity benefits entitlement is borne out by data from the CEIC (2005) showing that the average maternity benefits claim is 14.5 weeks. Most women also used the full parental benefits entitlement period during the 1990s (with an average duration of 9.5 weeks in 2000-01 [CEIC 2002, 18]. However, according to a later report, in 2003-04 (since the extension of benefits in 2001), parents have claimed about 89 percent of the full entitlement (31 of a possible 35 weeks [CEIC 2005, 19]). When benefits are shared, mothers take, on average, 21.4 weeks and fathers take 9.6 weeks.
- 17 The average weekly benefit paid in 2002-03 was \$307 (very close to that calculated for Anne [CEIC 2005]).
- 18 No calculations are provided for the period 1994 to 1996, when she would have been eligible for the dependency rate of 60 percent, rather than the usual 55 percent.

- 19 The FS to which Carole is entitled will vary with the number of children she has. If this is Carole's first child, then the FS would not be high enough to bring her to the maximum possible 80 percent replacement rate. At about \$30 per week (\$120 per quarter, the weekly value of the Canada child tax benefit [CCTB] in her case), the replacement rate will be only 66 percent.
- 20 The amount of the FS varies with family income and family size. In 2004, the average weekly FS for all EI claimants receiving the FS (regular benefit claimants as well as maternity/parental benefits claimants) was \$42 per week (CEIC 2005). Data on average FS received specifically by maternity/parental benefits claimants are not readily available.
- 21 This series is calculated using data from CansimII on the total number of children born per month (table 530001, series V62) and the total weeks of benefits paid (V384340). We know that the total number of children born multiplied by the probability that their parents receive benefits multiplied by the number of weeks of benefits they receive must equal the total number of weeks paid. According to the CEIC, the average duration of maternity benefits claims is 14.5 weeks (2004). We thus calculate the probability of coverage as total weeks paid divided by [number of children born x 14.5].
- 22 Prior to the 2001 changes, the average duration of a parental benefits claim was 9.5 weeks. Since the expansion, families are, on average, using approximately 80 percent of their parental benefits entitlements, or 27.8 weeks (CEIC 2004). I use these figures together with Cansim data (table 530001, series no. V62 and series V3942384) to calculate the probability of coverage for each live birth, as above.
- 23 This is a surprisingly difficult question to answer. The 2001 and 2002 microdata were only released for public analysis in January of 2005. Most microdata surveys do not actually report maternity or parental benefits receipt, only EI receipt. Also, another problem is that, even in a very large survey, relatively few families have (or adopt) a child in any given year, so small sample sizes limit analysis. Similar analysis historically is limited because earlier SCF surveys asked about the age of the child on the day of the survey, whereas the SLID asks for the age as of December 31. Of course, even a few months of difference in timing will be important.
- 24 Since maternity/parental benefits are not identified separately, what we are actually able to calculate is whether either the head or spouse in households with an infant aged less than one year on December 31 of the survey year has reported receiving EI benefits despite having reported zero weeks of unemployment. In most cases, this would indicate receipt of maternity/parental benefits. It is, of course, possible that the individual has received sickness benefits, though we would argue that this seems unlikely to be the case for large numbers of relatively young adults with newborn children.
- 25 This is quite consistent with the EI Coverage Survey data employed by Marshall, who finds that 54 percent of all new mothers received benefits in 2000, compared with 61 percent in 2001 (2003).
- 26 This type of analysis is limited by small sample sizes. In order to ensure statistical reliability, I do not report results if the sample size is less than 50; sample sizes less than 100 (always the case for lone mothers) are noted.
- 27 The opportunity cost is what is being given up.
- 28 The impact of unpaid leave, regulated by the provinces, is of course a somewhat different issue than the impact of paid federal benefits, though the two are obviously also connected.
- 29 For example, breast-feeding has been found to reduce the probability of asthma/wheezing (Dell and To 2001; Lethbridge and Phipps 2004b), childhood obesity (Armstrong and Reilly 2002; Dewey 2003; Gillman et al. 2001; Grummer-Strawn and Mei 2004), dental problems (Brothwell and Limeback 2003), childhood cancer (UK Childhood Cancer Study Investigators 2001), diarrhea and ear infections (Scariati et al. 1997); and it has been shown to improve cognitive development (Quinn et al. 2001).
- 30 First, in most Canadian surveys, maternity/parental benefits are not identified as distinct from other forms of UI or EI. Second, sample sizes for families with newborn children are usually very small. Third, income and transfer information is reported on an annual basis, but many families will collect some of their maternity/parental benefits in more than one calendar year. This means in any one year the reported benefits may seem a small part of family income, even though during that time they were very important to family finances.
- 31 Maternity/parental benefits probably do not play a major role in reducing child poverty, although there are, of course, other policies (such as the CCTB) that are designed to alleviate poverty for Canadian families with children for which most families would become eligible as soon as the child is born. As well, it would be naive to calculate the impact of maternity/parental benefits on child poverty by deducting reported EI benefits from family income to see if the family would have been poor without the maternity/parental benefits. In many cases, the mother (or father) would have returned early to work if she (he) had not been eligible for benefits, so the family might not have been poor without the benefits, though they might well have been less well off.
- 32 Davies, Joshi and Peronaci demonstrate for the United Kingdom that motherhood has negative implications for future pension entitlement, a topic which has not yet been studied in Canada (2000).
- 33 According to the OECD study, time spent in child care by fathers increased from 53 minutes per week in 1986, to 68 minutes in 1992, to 89 minutes per week in 1998, the same year as the data MacDonald, Phipps and Lethbridge used. Although important because they illustrate the upward trend, these averages are very low because they include all men, regardless of whether they have young children at home.

- 34 France has a long history of designing family policies with a pronatalist flavour.
- 35 Only the relatively recent reduction from 700 to 600 hours for eligibility for maternity benefits in combination with low levels of unemployment in some EI regions have made it easier for women to get access to maternity or parental benefits than to regular EI.
- 36 Marshall does not provide equivalent data for new fathers.
- 37 Although evidence suggests that women do not adjust paid work hours in response to maternity/parental benefits, we do not know whether, holding hours fixed, eligibility for maternity/parental benefits would make self-employment rather than paid jobs more attractive to young women and hence expand the numbers beyond those reported by Marshall.
- 38 The CEIC reports total premium revenues of \$19 billion (2005, 13).

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Depuis 30 ans, les prestations de maternité et parentales ont subi d'importantes modifications, la plus récente étant l'allongement du congé parental en 2001. Dernièrement, un débat s'est également amorcé sur les compétences fédérales en la matière. En mars 2005, Québec et Ottawa ont conclu une entente de financement autorisant le Québec à se retirer du programme fédéral. Et cette province a lancé son propre programme en janvier 2006.

À la lumière de ces changements, cette étude examine l'évolution de ce programme et les modifications qui pourraient le bonifier. L'auteure retrace l'historique du programme et les changements socio-économiques intervenus depuis l'adoption en 1971 des prestations de maternité. Le contexte dans lequel vivaient les familles avec de jeunes enfants était alors très différent. Une évolution qui explique en partie l'importante transformation du système canadien au cours des 30 dernières années marquées par cinq périodes historiques clés. Elle relève notamment l'émergence depuis 20 ans d'une nouvelle motivation (prestation de soins au lieu de la simple sécurité du revenu), confirmée dernièrement avec l'introduction des prestations de compassion.

Le programme couvrait au départ seulement les mères biologiques, mais il englobe aujourd'hui les parents adoptifs et les pères biologiques, et la durée des prestations a augmenté de 15 à 50 semaines. Par contraste, les taux de remplacement ont diminué de 66,7 à 55 p. 100, suivant une baisse analogue à ceux qu'ont connue les prestations régulières. C'est donc dire que la valeur réelle des prestations de maternité et parentales hebdomadaires a diminué depuis les années 1970. L'auteure observe que le plafond actuel réduit à beaucoup moins de 55 p. 100 le taux de remplacement réel pour les nouveaux parents à revenus plus élevés. En revanche, les familles à faibles revenus peuvent toucher un supplément qui peut faire bondir ce taux jusqu'à 80 p. 100. Les conditions d'admissibilité restent inadéquates, même si elles ont été assouplies en 2001, puisque le nombre d'heures exigées pour toucher ces prestations est supérieur à celui qui donne droit aux prestations régulières dans les régions à fort taux de chômage, et que le programme fédéral ne protège toujours pas les travailleurs autonomes.

L'auteure présente les cas fictifs de huit nouveaux parents et montre comment leur admissibilité et leurs prestations varient entre eux et selon les périodes. Elle examine aussi

Résumé

comment le programme québécois les toucherait. Pour ce faire, elle tient compte de plusieurs facteurs : maximum du revenu assurable, période d'attente de deux semaines, niveaux de revenus, structure familiale, modalités d'emploi, etc. Elle en conclut que le programme actuel sert plutôt bien la travailleuse typique, dont les prestations totales ont sensiblement augmenté avec la prolongation de la durée des prestations, mais moins bien les travailleurs à revenu plus élevé, les travailleurs autonomes et les pères, auxquels le nouveau programme du Québec offre davantage.

L'auteure établit aussi des estimations illustrant au fil des années les schémas d'attribution. Elle montre ainsi que la probabilité de toucher des prestations de maternité a bondi de 5 p. 100 en 1971 à 60 p. 100 en 2004. Et elle fait le point sur la réalisation des objectifs du programme touchant la santé de la mère et de l'enfant, la stabilisation du revenu, l'égalité des sexes et la conciliation travail-vie personnelle.

Malgré d'évidentes améliorations depuis l'entrée en vigueur du programme, surtout pour ce qui est de sa durée, l'auteure estime que son accessibilité, sa flexibilité et son taux de remplacement restent d'importantes faiblesses. De ce point de vue, le programme québécois offre d'intéressantes pistes de changement. Elle se prononce toutefois contre la multiplication de programmes provinciaux distincts et recommande de maintenir l'actuelle structure de prestation au sein du programme fédéral d'assurance-emploi. En conclusion, elle met de l'avant plusieurs options de réforme.

En matière d'accessibilité, elle suggère d'adopter le même critère que pour les prestations régulières, moins 100 heures, et d'étendre la protection aux travailleurs autonomes, en envisageant d'adopter un critère basé sur le revenu pour ces travailleurs comme c'est le cas au Québec. Une autre option à envisager serait d'accorder aux familles non admissibles aux prestations une somme forfaitaire à la naissance d'un enfant, comme dans certains pays d'Europe.

Étant donné la faiblesse du taux de remplacement actuel par rapport à d'autres pays, l'auteure recommande de l'augmenter pour qu'il soit plus abordable de prendre congé. Elle prévient que cette mesure pourrait entraîner une hausse des primes (comme au Québec) et profiter à certains plus qu'à d'autres. Pour plus de flexibilité et un meilleur équilibre travail-vie, elle suggère aussi d'autoriser, sur une plus longue durée, l'usage à temps partiel des prestations, ou de pouvoir conserver une partie des prestations pour prendre soin de jeunes enfants malades.

Summary

Working for Working Parents

The Evolution of Maternity and Parental Benefits in Canada

Shelley Phipps

In the past 30 years, maternity and parental benefits have undergone significant changes, including the major extension of the parental benefit in January 2001. More recently, there has been an ongoing debate over the scope of the federal government's jurisdiction in this policy area. In March 2005, Ottawa and Quebec reached an agreement about financing, which allowed Quebec to withdraw from the federal program. It has offered its own program since January 2006.

In light of these developments, this study examines how the program has developed and what changes might still be necessary.

The author traces the history of the program and the socio-economic changes that have occurred in Canada since maternity benefits were first introduced in 1971. The context in which families with young children carry on their lives in the 2000s is very different from that of the early 1970s. Over this 30-year period, the Canadian system has changed significantly, partly in response to these transformations. The author identifies five key historical periods, and observes the emergence of another rationale (caregiving vs. income security) for the program over the last 20 years, one that has been given a new impulse with the recent introduction of a compassionate leave.

In terms of coverage, the program has expanded from covering only biological mothers to its current status, which includes adoptive parents and biological fathers, and the duration of benefits has also increased from 15 to 50 weeks. In contrast, basic replacement rates have fallen from 66.7 to 55 percent, in line with regular EI replacement rates. This means that the actual weekly value of maternity/parental benefits has decreased since the 1970s. Phipps notes that the current ceiling on weekly payments reduces the effective replacement rate for new parents with higher earnings to significantly less than the 55 percent basic rate. Low-income families, however, can benefit from an income supplement that increases the replacement rate to up to 80 percent. Eligibility requirements, though they were relaxed in 2001, remain a policy challenge, since the hours required to qualify are higher for maternity and parental benefits than for regular benefits in high-unemployment regions, and the self-employed are still denied benefits in the federal program.

To put the maternity/parental benefits program into concrete terms, the author presents the experiences of eight fictitious new parents and shows how eligibility and compensation vary from one to the next, and also across time.

She also looks at how the new Quebec program would affect these parents. She discusses the impact of several factors, such as the maximum insurable earnings, the two-week waiting period, low versus median and high earnings, family structure and employment patterns. She concludes that the current regime serves the typical working woman rather well in that, due to longer duration of benefits, the total compensation available to her has increased significantly over time, but not as much for high earners, self-employed individuals and fathers. For people in these three situations, the new Quebec program offers a better deal.

The author also reviews Canadian literature on the topic and provides estimates showing patterns of maternity/parental benefits receipt over the years. She shows that the probability of collecting maternity benefits has increased from a mere 5 percent in 1971 to 60 percent in 2003. Finally, she discusses how well the program has met objectives such as protecting mother and infant's health, stabilizing income, supporting gender equity and fostering work-life balance.

Despite clear improvements since the program's inception, most significantly in terms of its duration, Phipps argues that accessibility, flexibility and the replacement rate remain important weaknesses. In that regard, the Quebec program offers interesting potential directions for change. But she argues against the multiplication of separate provincial programs and recommends keeping the current delivery structure within the federal employment insurance program. In conclusion, she discusses several options for reform.

In terms of access, she proposes setting the hours criterion for maternity and parental benefits equal to that of regular benefits less 100 hours, and extending coverage to the self-employed *earner* by switching from a weeks or hours criterion to an earnings criterion for these workers, as in Quebec. Alternatively, lump-sum birth grants could be extended to families who do not qualify for benefits, as in some European countries.

Since the current replacement rate is low in comparison to other countries, she recommends increasing the replacement rate of these benefits to make it more affordable to take a leave. She warns that this could come at a price (higher premiums, as in Quebec) and could benefit some more than it does others. In addition, to allow more flexibility and facilitate work-life balance, she argues in favour of allowing people to use their benefits part-time for longer or to reserve some benefits to care for sick toddlers.

